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RAILWAY MAIL PAY

PRELIMINARY REPORT

SUBMITTED TO THE JOINT
COMMITTEE ON

POSTAGE ON SECOND-CLASS MAIL MATTER AND COMPENSATION FOR THE TRANSPORTATION OF MAIL

OF THE

CONGRESS OF THE UNITED STATES

BY

JONATHAN BOURNE, JR.
CHAIRMAN

JANUARY 24, 1913

Printed for the use of the Joint Committee on Postage on
Second-Class Mail Matter and Compensation
for the Transportation of Mail

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**JOINT COMMITTEE ON POSTAGE ON SECOND-CLASS MAIL MATTER
AND COMPENSATION FOR THE TRANSPORTATION OF MAIL.**

CONGRESS OF THE UNITED STATES.

Senators :

JONATHAN BOURNE, Jr., *Chairman.*
HARRY A. RICHARDSON.
JOHN H. BANKHEAD.

Representatives :

JAMES T. LLOYD.
WILLIAM E. TUTTLE, Jr.
JOHN W. WEEKS.

ROBERT H. TURNER, *Secretary.*
RICHARD B. NIXON, *Disbursing Officer.*

**D. OF D.
MAR 20 1913**

a. J. S. Newcomb

RAILWAY MAIL PAY.

To the Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail:

GENTLEMEN: The Post Office appropriation act approved August 24, 1912, contained a provision reading as follows:

Provided, That a joint committee shall be appointed composed of three members of the Senate Committee on Post Offices and Post Roads and three members of the House Committee on the Post Office and Post Roads, to be designated by the respective chairmen, to make inquiry into the subject of postage on second-class mail matter and compensation for the transportation of mail and to report at the earliest practicable date, and for this purpose they are authorized, by subcommittee or otherwise, to sit during the sessions or recess of Congress, at such times and places as they may deem advisable, to send for persons and papers, to administer oaths, to summon and compel the attendance of witnesses, and to employ such clerical, expert, and stenographic assistance as shall be necessary; and to pay the necessary expenses of such inquiry there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, the sum of twenty-five thousand dollars, to be paid out upon the audit and order of the chairman or acting chairman of said committee.

On August 24, acting under authority of this provision, the President of the Senate appointed on this joint committee Senators Jonathan Bourne, jr., of Oregon; Harry A. Richardson, of Delaware; and John H. Bankhead, of Alabama. The Speaker of the House of Representatives on the same day appointed on the same committee James T. Lloyd, of Missouri; William E. Tuttle, jr., of New Jersey; and John W. Weeks, of Massachusetts.

On August 26 Congress adjourned sine die and immediately almost all Members of Congress departed for their homes. Owing to the press of legislative business on the last two days of the session, there was no time for the organization of this joint committee and the formulation of a plan of procedure.

On August 12, 1911, the Postmaster General transmitted a letter to the Speaker of the House of Representatives submitting "A report giving the results of the inquiry as to the operation, receipts, and expenditures of railroad companies transporting the mails and recommending legislation on the subject," said letter and accompanying report being printed as House Document No. 105, Sixty-second Congress, first session.

In response to representations made to the Senate Committee on Post Offices and Post Roads by the Post Office Department through the Second Assistant Postmaster General I was authorized by the committee to introduce a bill prepared by the Post Office Department embodying in legislative form the recommendations made in the document above referred to, the purpose being to get before Congress and the country the views of the department relative to

this important subject. I accordingly, on July 26, 1912, introduced S. 7371, a bill to provide the manner of determining the compensation of railroads for the transportation of the mails, in the language following, to wit:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Postmaster General shall determine the cost to each railroad company of carrying the mails on its respective road or roads, and shall verify and state the result in such form and manner as he shall deem proper. For this purpose he is authorized to credit, assign, and apportion the revenues and expenses of railroad companies so reported in such manner as he shall deem fair and equitable and in his judgment necessary to ascertain the cost as near as practicable, a statement of which shall be given the company concerned. If any railroad company shall object to the method of crediting, assigning, and apportioning the revenues and expenses, it may file objection with the Postmaster General within twenty days after such statement is made to the company, and the Postmaster General shall thereupon certify the method and objection, and such papers as in his judgment may be essential to an understanding of the method, to the Interstate Commerce Commission, who shall review the finding of the Postmaster General and affirm, modify, or revise the same, and certify the result to the Postmaster General, which action thereon shall be final.

The Postmaster General is authorized and directed to readjust the pay to companies operating railroads for the transportation and handling of the mails and furnishing facilities in connection therewith, not less frequently than once in each fiscal year, commencing with July first, nineteen hundred and twelve, at a rate of compensation per annum not exceeding the cost to the railroad companies of carrying the mails as ascertained by him, and six per centum of such cost: *Provided*, That when such ascertained cost and six per centum does not equal twenty-five dollars per mile per annum, he may, in his discretion, allow not exceeding such rate.

Railroad companies whose railroads were constructed in whole or in part by a land grant made by Congress on the condition that the mails should be transported over their roads at such price as Congress should by law direct, shall receive not exceeding the cost to them of performing the service.

Information shall be furnished and adjustments made as near as practicable by accounting systems or roads, and the cost and the compensation for the term shall be stated for all service covered by each system or road. The routes for a system or road may be stated for administrative purposes in such manner as the Postmaster General may determine.

The Postmaster General may order new or additional service during a term for which an adjustment shall have been made or service authorized on any system or road, in any train operated by such system or road over any part of the trackage included in the adjustment or authorization, and without additional compensation therefor during such term.

He may order service over new or additional trackage of an adjusted system or road during a term and state the amount performed for the remainder of such term on statistics obtained for the first thirty days of service. Payment therefor may be made at not exceeding the average rate per car-foot mile for the system or road ascertained at the regular adjustment. Entire discontinuance of service over trackage included in the adjustment or thereafter added shall be deducted for at the car-foot mile rate of adjustment or mile rate of authorization. In case the operation of service over trackage included in an adjustment or thereafter added is undertaken by another company during the term, the same may be recognized by the Postmaster General, provided the companies in interest shall file with him their joint agreement as to the part of the compensation of the old operating company to be paid the new operating company; otherwise payment to the company first authorized shall be full payment for all service performed for the term.

The Postmaster General may order service over trackage of a railroad company not operating service under an adjustment or authorization after the regular adjustment for the remainder of the term, and pay therefor at not exceeding forty-two dollars and seventy-five cents per mile of trackage per annum.

Service over property owned or controlled by a terminal company shall be considered service of the roads or systems using such property and not that of the terminal company.

Railroad companies carrying the mails shall furnish all necessary facilities for caring for and handling them while in their custody. They shall furnish

all cars or parts of cars used in the transportation and distribution of the mails, and place them in stations before the departure of trains when required to do so. They shall provide side, terminal, and direct transfer service and all station and depot space and rooms for handling, distribution, and transfer of mails en route, and for offices and rooms for the employees of the postal service engaged in such transportation, when ordered by the Postmaster General.

Every railroad company carrying the mails shall carry on any train it operates and without extra charge therefor the persons in charge of the mails, and when on duty and traveling to and from duty, and all duly accredited agents and officers of the Post Office Department and the postal service, while traveling on official business, upon the exhibition of their credentials.

All cars or parts of cars used for the Railway Mail Service shall be of such construction, style, length, and character, and furnished in such manner as shall be required by the Postmaster General, and shall be constructed, fitted up, maintained, heated, lighted, and cleaned by and at the expense of the railroad companies. No payment shall be made for service by any railway post-office car which is not sound in material and construction, and which is not equipped with sanitary drinking-water containers and toilet facilities, nor unless such car is regularly and thoroughly cleaned. No pay for service shall be allowed for the operation of any wooden railway post-office car unless constructed substantially in accordance with the most approved plans and specifications of the Post Office Department for such type of cars, nor for any wooden railway post-office car run in any train between adjoining steel or steel underframe cars, or between the engine and steel or steel underframe car adjoining. All additional cars accepted for this service shall be of steel or with steel underframe if used in a train in which a majority of the cars are of steel or steel underframe. After the first of July, nineteen hundred and sixteen, the Postmaster General shall not approve or allow to be used or pay for the use of any railway post-office car not constructed of steel or with steel underframe, if such car is used in a train in which a majority of the cars are of steel or of steel underframe construction. The Postmaster General shall make deductions from the pay of the railroad companies on the basis of the value of the service computed on the car-foot mile basis in all cases where the cars do not comply with the provisions of this Act.

The space in cars devoted to the use of the mails, as ascertained during the period fixed by the Postmaster General for the rendition of information by the railroad companies, shall be taken as the basis for computing the car-foot miles devoted to the mail service for the purpose of readjustment, effective from the first of July next following: *Provided*, That no credit shall be given for space in cars devoted to the distribution of the mails unless such space shall be authorized by the Postmaster General or unless he shall determine that its use is made necessary by a specific authorization.

If any railroad company shall fail or refuse to provide cars or apartments in cars for distribution purposes when required by the Postmaster General, or shall fail or refuse to construct, fit up, maintain, heat, light, and clean such cars and provide such appliances for use in case of accident as may be required by the Postmaster General, it shall be fined such sum as shall, in the discretion of the Postmaster General, be deemed proper.

The Postmaster General shall in all cases decide upon what trains and in what manner the mails shall be conveyed. Every railroad company carrying the mails shall carry on any train it operates all mailable matter directed to be carried thereon. If any railroad company shall fail or refuse to transport the mails when required by the Postmaster General upon any train or trains it operates, such company shall be fined such amount as may, in the discretion of the Postmaster General, be deemed proper.

The Postmaster General may make deductions from the pay of railroad companies carrying the mails under the provisions of this act for reduction in service or frequency of service where, in his judgment, the importance of the facilities withdrawn or reduced requires it and impose fines upon them for delinquencies. He may deduct the price of the value of the service in such cases where it is not performed, and not exceeding three times its value if the failure be occasioned by the fault of the railroad company.

The Postmaster General is authorized to have such weights of mails and measurements of space taken and to collect such other information by sworn employees of the Post Office Department as he may deem necessary and to have such information stated and verified to him by such employees, under such instructions as he may consider just to the Post Office Department and the railroad companies, to assist in the ascertainment of the space used for

the transportation and the handling of the mails on railroads, and to employ such special clerical and other assistance as shall be necessary to carry out the provisions of this act, and to rent quarters in Washington, District of Columbia, if necessary, for the clerical force engaged thereon, and to pay for the same out of the appropriation for inland transportation by railroads.

The provisions of this act shall apply to service operated by railroad companies partly by railroad and partly by steamboats.

The provisions of this act respecting the rate of compensation and the determination thereof shall not apply to mails conveyed under special arrangement in freight trains, for which a rate not exceeding the usual and just freight rates may be paid, in accordance with the classifications and tariffs approved by the Interstate Commerce Commission.

It shall be unlawful for any railroad company to refuse to carry the mails at the rates of compensation provided by law when and for the period required by the Postmaster General so to do, and for every such offense it shall be fined not exceeding \$5,000.

All laws or parts of laws inconsistent herewith are hereby repealed.

VIEW OF RAILROADS REQUESTED.

The bill was referred to the Committee on Post Offices and Post Roads on the date of its introduction in the Senate, but owing to the fact that the Post Office appropriation bill was already burdened with many items of new legislation the committee deemed it unwise, as it was impracticable, to undertake to legislate upon a subject of such magnitude in the time intervening between the introduction of the bill and the near approach to the close of the second session of the Sixty-second Congress. It was such consideration as this that led to the authorization and appointment of the joint committee.

Recognizing the importance and the magnitude of the task assigned to the joint committee and desiring as much as possible to expedite its work, I, after the adjournment of Congress and before leaving Washington, addressed a circular letter to the executive officers of all railroads carrying the mails, 795 in number, the purpose being to secure an expression of opinion on the plan recommended by the Post Office Department and embodied in S. 7371. The letter reads as follows:

WASHINGTON, September 11, 1912.

MY DEAR SIR: I hand you herewith a copy of Senate bill 7371, introduced by me by direction of the Senate Committee on Post Offices and Post Roads, embodying a plan recommended by the Post Office Department for determining the compensation to be paid to railroad companies for transportation of the mails. This general subject has been referred to a joint committee of Congress. The committee has not yet organized and probably will not do so for several weeks; but as a member of that committee and as chairman of the Senate Committee on Post Offices and Post Roads, and under authority of Senate resolution 56, I desire to secure immediately such information as may be available for submission to the committee at its first meeting. I will ask you, therefore, to answer the following questions:

(1) Do you deem the present plan of compensation an equitable one as between the Government and the railroads? If not, in what respects and as to what classes of railroads is it inequitable?

(2) Is the underlying principle of the plan embodied in the inclosed bill a proper basis for compensation? If not, wherein is it improper, and why?

(3) What, in your opinion, is a desirable plan for compensating railroad companies for transporting the mails?

I desire an early reply to these inquiries relating to the general plan, and if you are not ready to do so now shall be glad to have you submit later a detailed discussion of this bill and of House Document No. 105, Sixty-second Congress, first session, with which, I assume, you are familiar.

Yours, very truly,

JONATHAN BOURNE, Jr.,
Chairman Senate Committee on Post Offices and Post Roads.

REPLY BY COMMITTEE ON RAILWAY MAIL PAY.

In a letter dated October 3, Mr. Ralph Peters, acting chairman, committee on railway mail pay, representing 268 railroads operating over 214,275 miles of railroad, responded to the questions propounded in the circular letter referred to as follows:

NEW YORK, October 3, 1912.

HON. JONATHAN BOURNE, JR.,

Chairman Senate Committee on Post Offices and Post Roads,

Washington, D. C.

MY DEAR SIR: The committee on railway mail pay, representing 268 roads operating over 214,275 miles of railroad, has been investigating the subject of mail compensation for about three years, or since the Post Office Department, in 1909, sent out a series of questions regarding the space furnished for mails in passenger trains, and the cost to railroad companies of the service which they perform for the Government in the carriage of the mails. Therefore the committee has thought it would be of interest to you to receive from it an answer to the questions propounded by your letter of September 11, 1912, addressed to the officers of railroads throughout the country.

A response to House Document No. 105 is now in course of preparation, and will be submitted at an early date. In the meantime, our committee desires to submit the following replies to your inquiries:

Question 1. Do you deem the present plan of compensation an equitable one as between the Government and the railroads? If not, in what respects and as to what classes of railroads is it inequitable?

Answer. The existing law has never worked to the disadvantage of the Government, but has failed to do justice to the railways, by reason of infrequent weighing; absence of pay for nearly 40 per cent of the space occupied as traveling post offices; the performance, without pay, of side and terminal messenger service; and the unjustifiable reduction in pay by the act of Congress dated March 2, 1907, supplemented by Order No. 412 of the Postmaster General, changing the divisor.

The present law is based upon correct principles, but should be so amended as to provide—

(a) For the repeal of the act of March 2, 1907.

Notwithstanding the large increase in every other item connected with the administration of the Post Office Department, the railroads' pay has been singled out as the one element in these operations for concentration of economies. This, too, in the face of the fact that the operating expenses of the railroads have been greatly augmented by the requirements of the law with reference to steel equipment, and a general increase in cost characteristic of all business operations.

(b) For annual weighings, and a definite and just method for ascertaining daily average weights.

Under the quadrennial weighing, all increased weight of mail during the next succeeding four years is carried by the railroads without any compensation whatever, which is manifestly unfair.

The railroads must provide car space and facilities for the maximum weight offered at any time, yet they are paid only for the average weight carried. The Postmaster General's order covering the divisor has unfairly reduced this average.

This provision is essentially necessary in view of the bill establishing the parcel post, effective January 1, 1913, which will result in taking from the express service traffic for which the railroad companies now receive compensation and transferring it to the mail service; the bill referred to containing no provision for payment to the railroad companies for the increased tonnage to be handled in mail cars, although such provision was made for the star routes and the city wagon service.

(c) For pay for apartment cars on some basis that will compensate for the service.

That the Postmaster General has himself recognized the justice of such a change is indicated in the following quotation from page 3 of House Document No. 105: " * * * an additional amount may be allowed for railway post-office cars when the space for distribution purposes occupies 40 feet or more of the car length. No additional compensation is allowed for space for distribution

purposes occupying less than 40 feet of the car length. This distinction is a purely arbitrary one and without any logical reason for its existence."

(d) For a fair allowance to the railroads for the side and terminal messenger service which they perform for the Post Office Department, according to the value of this service to the Post Office Department.

The necessity for this is also emphasized by the establishment of the parcel post, which will undoubtedly add greatly to the expense of the service.

(e) That all rates of pay should be definite and not subject to the discretion of the officers of the Post Office Department.

Other inequities exist under the present law, but are due to the administrative methods rather than to the law itself.

Question 2. Is the underlying principle of the plan embodied in the inclosed bill a proper basis for compensation? If not, wherein is it improper, and why?

✓ Answer. The underlying principle of the plan embodied in Senate bill 7371 is not correct. Any plan of compensation based upon operating cost and taxes, plus 6 per cent for profit, is fundamentally wrong, because it makes no allowance for return upon the property employed.

Furthermore, such plan is not correct because it involves paying the highest rates to the railroad that by reason of physical disabilities or inefficient methods is most expensively operated and the lowest rates to the railroad whose operations are most efficient and whose service is most satisfactory and valuable to the Post Office Department. Under the plan proposed a railroad would be penalized for all the capital expenditures made by it for the purpose of decreasing its operating cost, because the more it decreased its operating cost the more it would decrease its mail pay, although by making this improvement in operating cost it would have incurred an additional capital charge upon which it would have to pay dividends or interest.

The ascertainment of the cost to a railroad of conducting the mail service is necessarily very largely a matter of judgment and opinion, because a large proportion of the total operating expenses are expenses common to the freight and passenger traffic and can only be approximately apportioned, and there are various formulas existing for such apportionment. It would not be right or proper to intrust to the Post Office Department the discretion of selecting the formulas by which to ascertain these costs because the Post Office Department has an obvious interest at stake, its object always being to reduce the railroad pay to a minimum.

The estimated cost of a specific service is not a proper basis for fixing rates for transportation of any commodity. The railroads are entitled to receive a full and fair return for the value of the service performed, and the ascertainment of cost of such service is principally of value as a protection against the establishment of confiscatory rates.

Question 3. What, in your opinion, is a desirable plan for compensating railroad companies for transporting the mails?

Answer. The existing law has been in effect for nearly 40 years and those who have worked under it are more or less familiar with its operations. If it were amended to correct serious inequities, as suggested in the answer to question 1, and fairly and impartially administered by the Post Office Department, it would be preferable to any untried or theoretical plan that could be proposed.

Very respectfully, yours,

COMMITTEE ON RAILWAY MAIL PAY,
By RALPH PETERS, *Acting Chairman*.

To present more fully the points of objection raised in its letter of October 3, the committee on railway mail pay has submitted a pamphlet entitled "Mail Carrying Railways Underpaid," which is in the language following, to wit:

MAIL CARRYING RAILWAYS UNDERPAID.

I. SCOPE OF THIS PAMPHLET.

✓ The committee on railway mail pay, representing railways whose lines include 92 per cent of the aggregate length of all railway mail routes in the United States, believes that the payments to the railways for the services and facilities furnished by them to the Post Office Department are, and for a long time have been, unjustly low. This pamphlet contains a concise statement of the facts

which prove that this belief is warranted and, incidentally, a refutation of the estimates made by the Postmaster General and reported to the Congress (H. Doc. No. 105, 62d Cong., 1st sess.), which led him to conclude that the basis of payment could now properly be changed so as to accomplish a present reduction of about 20 per cent. It will be shown that although the insufficient data and the erroneous methods employed by the Postmaster General resulted in his making estimates of cost to the railways that are far below the real cost, his own figures and calculations, when properly analyzed and supplemented, demonstrate that the mail service has not been fairly remunerative to the railways.

Before proceeding to this demonstration it should, however, be noted that—

II. RAILWAY MAIL PAY IS ABOUT TO BE FORCED STILL FURTHER BELOW THE LEVEL OF JUST COMPENSATION, UNLESS PAYMENTS ARE PROMPTLY READJUSTED, ON ACCOUNT OF THE ADDITIONAL VOLUME OF MAIL THAT WILL RESULT FROM THE INAUGURATION, ON JANUARY 1, 1913, OF THE PARCEL POST.

Congress has provided for a vast and incalculable extension of mail traffic by creating a "parcel post," to be inaugurated on January 1, 1913, which, by opening the mails to many articles not previously accepted at the post offices and by materially reducing the rates on mailed merchandise, is expected enormously to increase the volume of the shipments which it covers. The Government seems to have assumed that under existing contracts, which were made before the meaning of the word "mail" was thus extended, the railways can be compelled, until these contracts expire, to carry this great additional volume of mail traffic without any compensation whatever. If the former practice of the Post Office Department is followed, no new contracts will be made until after the next quadrennial weighings in each of the four weighing sections, so that the position of the Government amounts to an assertion that the whole added volume of the parcel-post mails will have to be carried without any compensation by the railways of New England for four years and six months (these railways are in the first weighing section, but the weighing for the adjustment to be made on July 1, 1913, has begun and will be completed before the parcel post is inaugurated), by those of the second weighing section for three years and six months, by those of the third weighing section for two years and six months, by those of the fourth weighing section for one year and six months, and by those of the first weighing section not located in New England for six months. No presentation of the injustice of the mail pay received in former years suggests even the approximate extent of the losses which the railways will thus incur in the next four and one-half years unless readjustments are promptly made on account of the parcel post.

III. THE POSTMASTER GENERAL'S ERRONEOUS ASSERTION THAT THE RAILWAYS WERE OVERPAID "ABOUT \$9,000,000" IN THE YEAR 1909 RESTS PRIMARILY UPON HIS ADOPTING AN UNPRECEDENTED THEORY WHICH ALLOWS NOTHING FOR A RETURN UPON THE CAPITAL INVESTED IN RAILWAY PROPERTY.

The Postmaster General assumed that the railways would be properly compensated if they received a sum equal to the operating expenses and taxes attributable to the carriage of the mails plus 6 per cent of the sum of those expenses and taxes. The calculation by which he obtained the sum which he assumed would have been proper compensation for the single month covered by his investigation was as follows:

His estimate of operating expenses and taxes on account of mail service (Doc. No. 105, p. 280) for 1 month-----	\$2, 676, 503. 75
6 per cent of above-----	160, 590. 22

Total, assumed to represent just compensation for 1 month. 2, 837, 093. 97

The railways having been paid, for the month selected, \$770,679.16 in excess of the sum resulting from the above calculation, the Postmaster General assumed that this excess over expenses and taxes plus 6 per cent constituted excessive profit for that month. He multiplied this assumed excess by 12 to get his estimate of annual excess and stated the result, in round figures, as "about \$9,000,000."

The mere statement of this method discloses the fact that it makes no allowance for any return upon the fair value of the railway property employed in the service of the public. This omission is, of itself, sufficient wholly to destroy

the Postmaster General's conclusion. Everyone recognizes that a railway is entitled to at least a reasonable return upon the value of its property devoted to the public service. The Postmaster General ignored this universally accepted principle and adopted a theory which, if applied to the general business of the companies, would render substantially every mile of railway in the United States immediately and hopelessly bankrupt. The recently published report of the Interstate Commerce Commission on the railway statistics of the year that ended with June 30, 1910, contains data by which this statement is easily demonstrated, as follows:

Operating expenses of all United States railways for the year--	\$1, 822, 630, 433
Taxes of all United States railways for the year-----	103, 795, 701
Total-----	1, 926, 426, 134
6 per cent of above total-----	115, 585, 568
Total gross receipts permitted by Postmaster General's plan-----	2, 042, 011, 702

But if this plan had been in force the railways would have had, for interest on mortgage bonds, a reasonable surplus as a margin of safety, dividends on stocks, unprofitable but necessary permanent improvements,¹ rents of leased properties, etc., only the 6 per cent, or \$115,585,568. This figure may be compared with the following among others:

Interest obligations (on funded debt only) of all United States railways for the same year-----	\$370, 092, 222
Rentals of leased properties all United States railways for the same year-----	133, 881, 409

- v Plainly, the Postmaster General's proposal is equivalent to an assertion that the railways would make a fair profit if they were enabled to collect the sum of \$115,585,568 in addition to their operating expenses and taxes, but the figures given by the Interstate Commerce Commission show that this would be less than one-third of the sum necessary to meet interest charges, which must be paid in order to prevent foreclosures of mortgages, and, if bond interest could be ignored, is much less than the rentals that must be paid if the existing systems are not to be broken up. And, of course, it would allow nothing whatever for legitimate demands upon income for dividends, permanent improvements, or surplus.

It is unnecessary to dwell upon the consequences of such a theory of "compensation" to railroad credit and to the public interest in efficient transportation service, to say nothing of the consequences to owners of railroad stock and bonds. Such a theory is not a theory of compensation—it is a theory of oppression and of destruction.

The fact that the Postmaster General has found it necessary to justify his attack upon the present basis of railway mail pay by a theory so unprecedented and so unwarranted in principle and in law raises a strong presumption against all his opinions and conclusions upon this subject.

IV. THE MAIL SERVICE SUPPLIED BY THE RAILWAYS COSTS THEM MORE IN OPERATING EXPENSES AND TAXES THAN THEY ARE PAID FOR IT, AND LEAVES NOTHING FOR RETURN ON THE PROPERTY.

It can not be too strongly emphasized that the railway mail pay at present is insufficient to pay even its proper share of operating cost and taxes and does not produce any return upon the property. This will be demonstrated by any fair inquiry, as will now be shown. Reports submitted to the Postmaster General by railways operating 2,411 mail routes, with a total length of 178,710

¹ The necessity for providing, out of income, for some kinds of improvements is commonly admitted. The public constantly demands greater comfort and convenience, which can be supplied only by improvements in property and equipment that bring in no additional income. A present example in the mail service itself is the great expense which the railways are now undergoing in substituting steel mail cars for those formerly in use. The old cars, which thus become a total loss were fully up to the most advanced standards of construction when built, and they could continue for a long time to serve the purposes of the service except for the public demand for stronger cars.

miles, showed that their gross receipts, per car-foot mile,¹ from services rendered on passenger trains during November, 1909, were as follows:

	Mills.
From mail-----	3. 23
From other services-----	4. 35

Thus, it appears that the space on passenger trains required for the mails is proportionately less than three-quarters as productive as that devoted to passengers, express, milk, excess baggage, etc. As it is the general belief of railway managers, whose conclusion in this respect has rarely if ever been challenged, that the passenger-train services, as a whole, do not produce revenues sufficient to meet their fair proportion of the operating costs and the necessary return upon investment, and therefore are not reasonably compensatory, it is evident that the mail service, the pay for which is more than 25 per cent below the average for the other services rendered on the same trains, must bring in much less than reasonable compensation. Certainly railroad revenues as a whole could not be reduced 25 per cent without destroying all return upon the property. If so, it must be true that there can be no compensation in a rate of mail pay that is 25 per cent less than the rate of pay for passenger traffic which, as above shown, is relatively unprofitable.

No merely statistical comparison can, however, reveal the whole story, for the railways are required to furnish many incidental facilities and to perform many additional services for the Post Office Department, which render the mail service exceptionally arduous and costly. These extra services include calling for and delivering mails at a large proportion of the post offices located at railway towns; supplying rooms, with light, heat, and water in railway stations for the use of the mail clerks; placing cars, duly lighted and heated, on station tracks for advance distribution, often many hours before the departure of trains; carrying officers and agents of the Post Office Department as passengers but without compensation to the extent of more than 50,000,000 passenger miles annually (this being, of course, in addition to the railway mail clerks on duty), etc. Extracts from the Postal Laws and Regulations defining and demanding these services are given in Appendix A. No one can examine this appendix and not be convinced that the mail service is the most exacting among all those rendered by American railways.

The fairness of railway mail pay can also be tested by apportioning operating expenses between passenger and freight traffic, and then making a secondary apportionment of the passenger expenses between mail and other kinds of traffic carried on passenger trains. This method involves charging directly to each kind of traffic all expenses pertaining exclusively thereto, and the apportionment, on some fair basis, of those expenses which are common to more than one kind of traffic.

In accordance with the request of the Postmaster General, the railways estimated the cost of conducting the mail service in the manner just explained and reported the results to the Postmaster General. After first charging to each service the expenses wholly due to it they apportioned the common expenses between the passenger and freight services, following (with inconsequential exceptions) the method most generally employed for that purpose, namely the apportionment of these expenses in the proportions of the revenue train mileage of each service. Having estimated, in this way, the operating expenses attributable to passenger trains, the railways assigned to the mails the portion of this aggregate indicated by the proportion of the total passenger train space required for the mails. Using this method, 186 railways, operating 2,370 mail routes, with a total length of 176,716 miles, ascertained and reported that for November, 1909, the operating expenses (not including taxes) for conducting the mail service were \$4,009,184. The Postmaster General states (Doc. No. 105, p. 281) that all the railways represented in the foregoing, and enough others to increase the mileage represented to 194,978 miles, were paid for the same month only \$3,607,773.13. It thus appears that the pay was far below the operating expenses, without making any allowance for taxes or for a return upon the fair value of the property employed.

While different methods are in use for ascertaining the cost of passenger-train service and the results produced by such methods may show considerable

¹ A car-foot mile is a unit equal to moving 1 foot in car length (regardless of width or height) 1 mile. Thus to move a car 60 feet long 1 mile results in 60 car-foot miles; to move the same car 3 miles results in 180 car-foot miles, etc.

variation, yet the mail pay is so far below reasonable compensation, from the standpoint of the cost of the service and a return upon the value of the property, that no method can be reasonably urged which would not demonstrate the noncompensatory character of the present mail pay. This is illustrated by the method which the Postmaster General himself employed, as the character of that method is such that it necessarily produces the very lowest estimate of cost for the passenger-train service.

The Postmaster General by his method of apportionment arrived at a cost of-----	\$2, 676, 503. 75
But this must be increased, as will be shown below, on account of his erroneous apportionment of car space (p. 10), by-----	800, 802. 00
And also on account of his refusal to assign expenses directly incurred in the mail service (p. 12)-----	¹ 401, 126. 00
Total, according to the Postmaster General's method of apportioning costs between passenger and freight traffic-----	3, 878, 431. 75

Thus even the Postmaster General's method of apportioning costs between freight and passenger traffic produces an operating cost in excess of the total pay received by the railways, leaving nothing whatever for return upon the fair value of the property or necessary but nonincome-producing improvements.

There is no allowance in any of these estimates of cost for the large volume of free transportation supplied to officers and agents of the Post Office Department when not in charge of mail, although this amounts to over 50,000,000 passenger miles annually, and, at the low average rate of 2 cents per mile, would cost the Post Office Department more than \$1,000,000 per year.

Moreover, as will presently be shown (pp. 13-14) all the figures here discussed are for the month of November, a month which, because of the abnormally low ratio of passenger traffic to freight traffic, substantially understates the cost of the passenger-train services, when figures derived from it are applied to an entire year.

It thus becomes evident that any inquiry which takes into consideration the necessary elements of the situation will demonstrate that railway-mail pay is too low. It is only by ignoring essential elements of the service and of expense and the fundamental element of a return on the value of the property that any argument to the contrary can be constructed.

Thus the mail traffic does not pay its operating cost. That traffic is a substantial percentage of the total public service performed by the railroads. It should contribute a substantial proportion to the taxes which the railroads have to pay and to the return on railroad property which its owners are entitled to receive. Clearly no fair method can be devised which will fail to show that the existing mail pay is far below a fairly compensatory basis. Certainly this condition ought not to be intensified by adding the injustice of still further reductions. On the contrary, the unjust reductions of recent years should be corrected for the future, and the railroads should be relieved from the strikingly unjust methods by which they are at present deprived of anything approaching fair compensation.

V. THE POSTMASTER GENERAL'S APPORTIONMENT OF SPACE BETWEEN THE MAIL SERVICE AND THE OTHER SERVICES RENDERED ON PASSENGER TRAINS DID NOT ALLOW TO THE MAILED SPACE WHICH THEY ACTUALLY REQUIRE AND USE, AND THIS HAD THE RESULT OF UNDULY REDUCING HIS ESTIMATES OF THE COST TO THE RAILWAYS OF THE MAIL SERVICE.

Detailed reference will now be made to the methods and controlling effect of the Postmaster General's apportionment of passenger-train space between the mails and the other services rendered on passenger trains. Such an apportionment was a necessary step in the calculations reported in Document No. 105. Having obtained certain estimates of the cost of the passenger-train services, considered together by methods producing the lowest results, the next step shown in Document No. 105 was to apportion a part of this cost to the mail service. The accepted method for such an apportionment is to distribute the total cost in proportion to the train space required by each of the respective services. The Postmaster General obtained from the railways statements which

¹ There may be some duplication in this item, but to eliminate it would require an elaborate computation which, in view of the broad margin of expenses over receipts, is wholly superfluous. Whatever duplication exists must be small in comparison with this margin.

he might have used in applying this method, and these statements showed that 9.32 per cent of the total space in passenger trains was required by the mails; but instead of using the data showing this fact, he substituted figures of his own which reduced the space credited to the mail service to 7.16 per cent of the total. The total of passenger-train costs which the Postmaster General estimated should be apportioned among passengers, express, and mail, on the basis of space occupied, was \$37,074,172.¹ He therefore assigned to the mail service 7.16 per cent of the last-named sum, or \$2,654,510.69. If, however, he had used the proportion of space, 9.32 per cent, resulting from the reports he had obtained from the railways, the amount apportioned as cost of the mail service for the month would have been \$800,802 greater. Multiplying this by 12 gives an increase in the estimated annual cost of over \$9,600,000.

Thus the Postmaster General arrived at his declaration that the railways were getting an excess profit of \$9,000,000 by means of two fundamental errors, omitting for the present reference to any other errors. He understated the annual mail expenses and taxes of the railways by at least \$9,600,000, and he ignored entirely the necessary return on the value of railroad property.

This examination of his methods shows that the determination of space was of primary and controlling importance and that the changes in space allotment have destroyed the value of his deductions. These changes were due to his refusal to assign to the mail service the working space and temporarily unoccupied space on trains, which were necessary to the mail service, and to his actually assigning much of this space to the passenger service rendered on the same trains.

It is scarcely necessary to note that all kinds of traffic require "working space" in addition to the space actually occupied by the traffic itself, and that this is especially true of the mail traffic, or that where there is a preponderating movement of a certain traffic in one direction there must be some empty space on account of that traffic, sometimes called "dead" space, in trains moving in the direction of lighter traffic. Thus passenger cars must have aisles, vestibules, and platforms, and postal cars must have a great deal of space in which to sort the mails while, for mail carried in baggage cars, there must be space in which to reach the pouches and to receive and deliver them through the doors. A through train must also have the full capacity required for the maximum traffic of any kind likely to seek accommodation on any part of its journey, although during much of each trip the actual traffic may be considerably below this limit. The Postmaster General, however, refused to credit the mail service with much of the space thus required by the department, although his figures for the other passenger-train services allowed fully for all such space required by them. In fact, in many cases such space actually required by the mails and so reported by the railways, was taken from the total mail space and, without reason, assigned to the passenger service. These modifications of the data correctly reported, not susceptible of justification upon any sound transportation principle, were carried so far that the tabulations of the Post Office Department, which are stated for railway mail routes having a total length of 194,977.55 miles² show only 926,164,459 "car-foot miles" made in the mail service, although certain railways, included therein and having railway mail routes aggregating only 178,709.96 miles, had correctly reported mail space equivalent to 1,153,110,245 "car-foot miles." Thus, although the department's figures cover 8.3 per cent more mileage, its reductions of space resulted in assigning to this greater mileage about one-quarter (24.5 per cent) less mail space. At the same time the department actually increased the space assigned to the other passenger-train services, its figures showing 12,014,065,506 car-foot miles in these services for 194,977.55 miles of mail routes, which must be compared with 11,222,478,739 car-foot miles reported by the railways for 178,709.96 mail-route miles.

This treatment of the controlling figures as to space, supplementing the other errors of method and omissions of fact, which have been or will be cited, was amply sufficient to turn a real loss into an apparent profit.

¹ This is the sum which was apportioned by the Postmaster General on the basis of train space occupied. He estimated \$40,121,294.83 (Doc. No. 105, p. 280) as the total operating expenses and taxes of the passenger-train services for the month. Of this total, \$21,993.06 was charged directly to the mails and \$3,025,129.77 directly to the other passenger-train services, leaving the sum stated in the text to be apportioned on the space basis.

² Doc. No. 105, p. 53.

VI. THE POSTMASTER GENERAL IGNORED DATA WHICH HE HAD OBTAINED SHOWING EXPENDITURES ON ACCOUNT OF THE MAILS LARGELY IN EXCESS OF THE DIRECT EXPENSES FOR THAT SERVICE WHICH HE REPORTED.

As a part of the investigation reported in Document No. 105 the Postmaster General obtained from the railways statements showing the amounts expended by them for the station and terminal services required by his department and the amount of free transportation furnished on his requisition for officers and agents of the postal service when not in charge of mail. These data were not used (Doc. No. 105, p. 6), and, as no adequate allowance was made in any other way for these expenses, the omission unjustly reduced the estimates of the cost to the railways of their postal service. The Postmaster General's explanation of this omission implies that it was partially offset by the assignment as cost of mail service of its proportion, on the space basis, of all the station and terminal expenses of the passenger-train services, but these special mail expenses are disproportionately heavy and the amount so assigned was far too low. The expenses for station and terminal services especially incurred for the mails during November, 1909, and reported to the Postmaster General for 92 per cent of the mileage covered by Document No. 105, aggregated \$401,136, as follows:

Amount of wages paid to messengers and porters employed exclusively in handling mails.....	\$79,980.84
Portion properly chargeable to mail service, prorated on basis of actual time employed, of wages paid to station employees a part of whose time is employed in handling mails.....	198,927.01
Amount expended for maintenance of horses and wagons and for ferriage, etc., in connection with mail service.....	5,640.98
Rental value, plus average monthly cost of light and heat, of room or rooms set apart for the exclusive use of the mail service.....	37,258.93
Rental value of tracks occupied daily for advance distribution of the mail.....	47,029.12
Average monthly cost of light and heat for postal cars placed daily for advance distribution of mail.....	18,400.57
Interest at the legal rate upon the value of cranes, catchers, and trucks required for mail service.....	3,895.36
Total.....	¹ 401,126.00

All the foregoing data were reported to the Postmaster General in response to his request, but he made no use of these items, an omission manifestly to the serious disadvantage of the railways and having the effect of unduly reducing his estimates of the cost of the mail service.

Similarly, the Postmaster General omitted to use the data he had obtained from the railways showing the volume of free-passenger transportation, already referred to, supplied to the officers and agents of the Post Office Department, and his estimates contain no recognition of the cost of this service, although its extent should be a matter of record in the department, as it is furnished only on its requisition. The space in passenger coaches occupied by these representatives of the Post Office Department, traveling free, was not assigned to the mail service, but was treated as passenger space.

VII. THE MONTH OF NOVEMBER IS NOT A FAIR AVERAGE MONTH IN ANY RAILWAY YEAR OR ONE THAT IS TYPICAL OF A YEAR'S BUSINESS AND ITS USE AS THE SOLE BASIS OF THE POSTMASTER GENERAL'S CALCULATIONS WAS SO UNFAVORABLE TO THE RAILWAYS AS TO DEPRIVE THE RESULTS OF ANY VALUE EVEN IF IN ALL OTHER RESPECTS HIS METHODS WERE BEYOND CRITICISM.

All the Postmaster General's calculations, reported in Document No. 105, and by him relied upon therein, and elsewhere, to substantiate his attack upon existing railway mail pay, depend solely upon data for the single month of November, in the year 1909. It is obvious, therefore, that the validity of his conclusions, if all the rest of his processes were accurate and his deductions otherwise sound, would depend upon whether November is sufficiently typical of the railway year to be safely used as the sole basis for conclusions applicable

¹ This total includes \$9,993.19 reported by four companies which gave totals for these items, but did not report the items separately.

to a whole year. The truth is, however, that November is not a typical or average month and that all of its deviations from the averages of the year are such as greatly to favor the result which the Postmaster General was seeking.

It may well be doubted whether the railway year contains any month that can properly be regarded as typical of the whole period, but if it does, the month of November, with 4 Sundays, 2 holidays, and only 24 working days, is certainly not such a month. The Interstate Commerce Commission published the monthly aggregates of railway receipts and these official data conclusively prove that November, 1909, was the one month for which the data were most strongly favorable to finding, by the Postmaster General's method, an abnormally low apparent cost for the passenger train services and, consequently, for the mail service.

It is a month in which substantially winter conditions prevail in a large part of the country and, on this account, one during which much of the ordinary work of maintenance of way and structures must be suspended. Such work occasions a large fraction of the yearly expenses of all railways and these expenses pertain in a relatively large proportion to the passenger services because the higher speed of passenger trains results in greater relative wear and tear upon roadbed and structures than that caused by the slower trains of the freight service and the requirements of safety to passengers carried at high speed impose more costly standards of maintenance than would otherwise be necessary. Consequently a month in which these maintenance expenses are necessarily below the yearly average can not typify the full annual cost of the passenger train services. Figures showing the facts are contained in Appendix B.

It is, of course, understood that the respective expenses of the passenger and freight services must move upward and downward with the fluctuations in the volume of each sort of traffic. No month can furnish a reliable basis for estimating the proportion of the total expenses that is caused by the passenger service unless during that month the volume of passenger traffic bears a normal relation to the volume of freight traffic. But in November, 1909, as will appear from official figures for each month in the year contained in Appendix C, passenger traffic, as measured by receipts therefrom, was much below the average month of the year, while freight traffic was far above the average. The November receipts from passengers amounted to only 21.5 per cent of total receipts, the lowest relation shown for any month in the year. Of course, under these conditions passenger expenses were curtailed and freight expenses relatively enhanced. Certainly the use of data resulting from these abnormal relations could not possibly produce results fairly typical of a normal period—that is, of a whole year. The results so obtained must have diminished the apparent cost of the passenger-train services below the true cost by just as much as the figures for November were below the average figures of the year.

These considerations fully establish the truth that, if every other feature of Document No. 105 were absolutely beyond criticism, the fact that it rests wholly upon estimates based upon data for the single month of November would render its conclusions illusory, misleading, and seriously prejudicial to the railways.

VIII. A COMMISSION OF SENATORS AND MEMBERS OF CONGRESS WHICH, BETWEEN 1898 AND 1901, MOST FULLY AND CAREFULLY INVESTIGATED THE SUBJECT ASCERTAINED AND DECLARED THAT RAILWAY MAIL PAY WAS NOT THEN EXCESSIVE; SINCE THEN THERE HAVE BEEN MANY AND EXTENSIVE REDUCTIONS IN PAY, ACCOMPANIED BY SUBSTANTIAL INCREASES IN THE COST AND VALUE OF THE SERVICES RENDERED BY THE RAILWAYS.

The Congressional Joint Commission to Investigate the Postal Service, which reported on January 14, 1901, is authority for the fact that, at that time, railway-mail pay was not excessive. Senator William B. Allison, of Iowa; Senator Edward S. Wolcott, of Colorado; Senator Thomas S. Martin, of Virginia; Representative Eugene F. Loud, of California; Representative W. H. Moody, of Massachusetts; and Representative T. C. Catchings, of Mississippi, six of the eight members of the commission, then united in the following:

"Upon a careful consideration of all the evidence and the statements and arguments submitted, and in view of all the services rendered by the railways, we are of the opinion that 'the prices now paid to the railroad companies for the transportation of the mails' are not excessive, and recommend that no reduction thereof be made at this time." (S. Doc. No. 89, pp. 19, 22, 25, 29, 52d Cong., 2d sess.)

Since the commission reported, the volume of the American mails, the revenue of the American postal service and its demands upon the railways for services and facilities have greatly increased. The costs of supplying railway transportation have also greatly increased. The necessary cost of railway property per unit of service has increased, and in consequence the amount required as a reasonable return thereon, on account of higher wages and prices, the higher standards of service demanded and the higher value of the real estate required for extended and necessary terminal plants. Operating expenses have grown by reason of repeated advances in rates of wages paid to employees of every grade and increased prices of materials and supplies. Taxes have increased with the rapidly augmenting exactions of State and local governments and the imposition of an entirely new Federal corporation tax.¹ Yet during this period of rapidly advancing railway expenses, and in spite of the fact that at its commencement the railway mail pay was not excessive, the rates of payment for railway mail services have been subjected to repeated and drastic decreases accomplished both by legislative action and by administrative orders. These reductions have so much more than offset the rather doubtful advantages which the railways might be assumed to have obtained from the increased volume of mail traffic that in 1912 they find their mail service more unprofitable than ever before. The following table shows the facts:

Fiscal year.	Total railway mail pay.	Average railway mail pay per \$100 of postal receipts
1901.....	\$38,158,969	\$34.18
1904.....	43,971,848	30.62
1907.....	49,758,071	27.10
1910.....	49,405,311	22.04
1911.....	50,583,123	21.26

The foregoing shows that the Post Office Department expended for railway transportation, in 1901, \$34.18 in order to earn \$100 in gross, and that by 1911 this expenditure had been reduced 37.8 per cent to \$21.26.

This notable reduction was the consequence (first) of the operation of the law fixing mail pay under which the average payment per unit of service decreases as the volume of mail increases; (second) of the acts of Congress of March 2, 1907, and May 12, 1910; and (third) of administrative changes effected by the Post Office Department which, without decreasing the services required of the railways or enabling those services to be rendered at any lower cost, greatly reduced the payment therefor. Chief among these administrative changes was the Postmaster General's order known as the "divisor" order (No. 412 of June 7, 1907, superseding Order No. 165 of Mar. 2, 1907), radically lowering the basis for calculating the annual payments for transportation. No official estimate of the reduction in the aggregate annual payment produced by the operation of the law fixing the scheme of payment has been made, but from time to time the department has published estimates of the reductions otherwise effected. None of these estimates is now up to date, and to make them comparable with the present volume of mail substantial increases would be necessary, but they are given below as representing an amount substantially less than the lowest possible statement of the total present annual reduction.

Cause of reduction:	Amount of annual reduction.
Natural operation of the law.....	No estimate.
Acts of Mar. 2, 1907, and May 12, 1910.....	\$2,723,658.90
Withdrawal of pay for special facilities.....	167,005.00
Postmaster General's divisor order.....	4,941,940.34
Other administrative changes.....	699,544.51
Total (with no allowance for the first item above).....	8,532,148.75

¹ Data indicating some of the increases in wages and taxes are given in Appendixes D and E.

No one will contend for a moment that there has been any net reduction in the cost of supplying railway mail services and facilities since 1901, the year in which the report of the Joint Commission to investigate the Postal Service was made. In fact, all changes in railway operating costs, except those due to increased efficiency of organization and management, which can have little, if any, effect in connection with mail traffic, have been in the opposite direction. During the years characterized by these reductions the railways have been called upon continually to improve the character of their postal service and the Post Office Department will not deny that the railways are now rendering better, more frequent, and more expeditious postal service than in 1901, or any intermediate year, and are doing so at greatly increased cost to themselves.

In view of these thoroughly substantiated facts the drastic reductions of recent years afford unanswerable proof that railway mail pay is now too low.

IX. THE ADMINISTRATION OF THE POST OFFICE DEPARTMENT HAS NOT, IN THE LAST 12 YEARS, EFFECTED ANY REDUCTION IN THE ANNUAL TOTAL OF ITS EXPENSES FOR OTHER PURPOSES THAN RAILWAY TRANSPORTATION OR IN THE PROPORTION OF ITS REVENUES REQUIRED FOR SUCH OTHER EXPENSES, BUT THE WHOLE SAVING WHICH HAS NEARLY ELIMINATED THE ANNUAL DEFICIT OF THE DEPARTMENT IS REPRESENTED BY THE REDUCED PAYMENTS, PER UNIT OF SERVICE, TO THE RAILWAYS.

That the recent savings of the postal service have been wholly at the expense of the railways is shown by the following:

	1901	1911
Postal gross receipts.....	\$111,631,193	\$237,879,823
Postal expenses, all purposes:		
Total.....	\$115,554,921	\$238,507,669
Per cent of gross receipts.....	103.5	100.3
Railway mail pay:		
Total.....	\$38,158,969	\$50,583,123
Per cent of gross receipts.....	34.2	21.3
Postal expenses other than railway mail pay:		
Total.....	\$77,395,952	\$187,924,546
Per cent of gross receipts.....	69.3	79.0

This table shows that in the 10 years from 1901 to 1911 the Post Office Department reduced its operating ratio between its total expenses and its gross receipts from 103.5 per cent to 100.3 per cent, being a reduction of 3.2 points; but it also shows that this improvement was due solely to the fact that the ratio of railway mail pay expenses to gross receipts was reduced from 34.2 per cent to 21.3 per cent, a reduction of 12.9 points, while the ratio of all other expenses to gross receipts increased from 69.3 per cent to 79 per cent, an increase of 9.7 points. Thus the improvement of 3.2 points in the ratio for all expenses was due entirely to the greatly reduced ratio of railway mail pay, the heavy reduction in that respect exceeding by 3.2 points the very substantial increase in the ratio of all other expenses.

During the 10 years from 1901 to 1911 the department took up an enormous increase in business at a greatly decreased cost for railway transportation and at a largely increased cost for other purposes. It cost the department, for purposes other than railway transportation, nearly nine-tenths of \$126,248,630 to add that amount to its gross receipts (although for these other purposes it had previously spent less than seven-tenths of its gross receipts), while it required less than one-tenth of the same sum to pay for the added railway transportation that the new business required (although at the beginning of the period railway transportation had cost more than one-third of the gross receipts). This startling comparison fully warrants the conclusion that the power of Congress and the department has been exercised to force upon the railways, by reducing the payments for their services, the burden not only of the effort to eliminate the annual postal deficit but of considerable increases in other forms of postal expenditure. No reference to rural free delivery will serve to explain away the conclusion suggested by this comparison, especially since only a fraction of the cost of that service represents really an additional net outlay. This service has permitted a reduction of one-third in the number of post offices and has been in many cases substituted for star route service and the savings thus permitted ought to be credited to it before determining its cost.

That increases in postal expenditures were necessary between 1901 and 1911 is not denied. The period was one in which steady and extensive increases in the cost of living made necessary considerable increases in the salaries of postal employees and in the cost of postal supplies, precisely as the railways were impelled to increase the salaries and wages of their employees and were obliged to pay higher prices for their supplies. In other words, the purchasing power of the American dollar, and of standard money everywhere, greatly decreased and this decrease affected the Post Office Department as it has affected every business undertaking. But the purchasing power of the railway dollar decreased exactly as that of all other dollars and it was unreasonable and unjust that while this change was in progress the losses which it entailed in the postal service of the Government should be shifted, as it has been shown that they were, to the railways which were, at the same time, suffering far greater losses from the same cause.

X. THE CONTINUOUS REFUSAL OF THE POST OFFICE DEPARTMENT TO ORDER REWEIGHINGS OF THE MAILS EXCEPT AFTER THE MAXIMUM INTERVAL OF FOUR YEARS, WHICH THE LAW ALLOWS, THE DEMANDS FOR STATION AND TERMINAL SERVICES THAT ARE RENDERED WITHOUT ANY OR WITHOUT ADEQUATE COMPENSATION, AND THE UNJUST DISCRIMINATION AGAINST COMPARTMENT CARS USED AS RAILWAY POST OFFICES ARE ALL ABUSES, SERIOUSLY INJURIOUS TO THE RAILWAYS, WHICH HAVE GROWN UP UNDER THE PRESENT SYSTEM OF PAYMENT AND OUGHT AT ONCE TO BE REMEDIED.

In addition to the inadequacies in the rates of pay provided under the present law, which result in payments that do not leave any balance for taxes or return upon property and, indeed, do not even meet operating expenses, there are certain conditions which have grown up in the application of the existing basis of pay that ought to be rectified. This is especially necessary in view of the tendency, herein shown, of the Post Office Department to apply the system so as to reduce its expense for railway transportation, and to look to this item as the chief or sole source of economies.

The transportation pay received for each railway route is determined, under the practice of the department, for a period of four years on the basis of the average daily weight carried during a period of about three months' duration prior to the beginning of the period for which it is fixed. Thus, by the terms of the law, the Government upholds the principle that weight should be the basis of payment, but, by an inconsistent practice, denies that principle and creates a condition under which it is practically certain that the weight actually carried will differ materially from the weight paid for. Congress, surely, never intended this result, for the provision of law is, merely, that the mail shall be weighed "not less frequently" than once in four years and clearly implies an intention that it should be weighed whenever a substantial change in volume has taken place. But the Post Office Department controls, subject to the provision of law, the frequency of the weighings, and naturally seeks those reductions in its expenses which can be effected without loss anywhere except in railway revenues. Consequently, it long ago ceased to order new weighings, except when compelled to do so by the expiration of the statutory limit. It thus happens that while the railways are paid on the basis of a certain average daily weight they are frequently carrying a much greater weight and with no compensation whatever for the increase in the weight. In other instances the change is in the opposite direction, but with increasing national population and wealth it is obvious that most of these changes must be to the injury of the railways. However, the element of uncertainty thus introduced into each contract is unbusinesslike and in fairness to both parties ought to be removed. No railway would make a four years' contract to carry, for a definite sum, the unlimited output of any manufacturing plant, and if it attempted to do so the contract would be void under the interstate-commerce law. The terms of the mail contracts are substantially dictated by the Postmaster General and by Congress, and the latter ought, in justice both to the railways and to the Government, to require the former to make annual weighings in order that the scheme of payment provided in the law may be fairly and accurately applied.

Railways are required to transfer the mails between their stations and all post offices not more than a quarter of a mile distant from the former and, at the election of the Post Office Department, to make similar transfers at terminals. For the former no compensation is accorded, and for the latter the allowances are inadequate. There are numerous instances in which these extra services require expenditures, on the part of the railways concerned, that ex-

ceed the total compensation of the mail routes on which they occur. The extent of these requirements in particular cases is largely subject to the will of the department and this produces unreasonable uncertainties as to what may be demanded during the life of any contract. The basis of payment plainly does not contemplate such service; they are a survival from the period when the mails were carried by stagecoaches, which could readily deviate these distances from their ordinary routes, and it is clear that the Government ought to perform these services itself or reasonably compensate the railways therefor.

Much of the mail moved by the railways is carried in cars especially equipped as traveling post offices in order that it may be accompanied by postal clerks who perform, on the journey, precisely the labor which they would otherwise perform in local post offices. Cars so used can be but lightly loaded and are costly to supply, to equip, to maintain and to move. Their use has greatly increased the efficiency of the postal service and vastly expedited the handling of the mails. In the infancy of this service Congress provided for additional payments for the full cars so required, but when the practice of requiring portions of cars for the same identical purpose was inaugurated no provision for paying for them was made and this condition never has been corrected. Even in Document No. 105, the injustice of this situation is recognized (p. 3) and the Postmaster General asserts that it is a purely arbitrary discrimination and without logical basis. Obviously a reasonable allowance for apartment cars ought to be made.

XI. THE POSTMASTER GENERAL'S PROPOSED PLAN OF PAYMENT BASED UPON OPERATING COST AND TAXES, TO BE ASCERTAINED BY THE POST OFFICE DEPARTMENT, PLUS 6 PER CENT, IS SERIOUSLY WRONG IN PRINCIPLE AND WOULD ENCOURAGE AND PERPETUATE INJUSTICE.

The foregoing discussion makes plain the error and injustice in the Postmaster General's proposal to pay the railways for carrying the mail upon the basis of returning to them the operating expenses and taxes, as ascertained by the Post Office Department, attributable to the carriage of the mails, plus 6 per cent of the sum of these expenses and taxes.

The discussion under heading III above demonstrates that the plan leaves out of consideration any allowance for return upon the property and would be destructive of the universally recognized rights of the railroad companies.

Furthermore, such a plan is fundamentally erroneous because it involves paying the highest rates to the railroad that by reason of physical disabilities or inefficient methods is most expensively operated and the lowest rates to the railroad which, by reason of the highest efficiency, operates at the lowest cost. A railroad's superior operating efficiency is frequently due to exceptionally heavy capital expenditures to obtain low grades, two, three, or four main tracks, and to improve in other respects the roadbed and tracks to the end that trains may be hauled at the lowest expense. Such a railroad needs and is entitled to sufficient net earnings to enable it to pay a proper return upon the increased value which is due to such expenditures. But under the Postmaster General's plan a railroad would be penalized for all the capital expenditures made by it for the purpose of decreasing its operating cost, because the more it decreased its operating cost the more it would decrease its mail pay.

The ascertainment of the cost to a railroad of conducting mail service is necessarily very largely a matter of judgment and opinion, because a large proportion of the total operating expenses are common to the freight and passenger traffic and can only be approximately apportioned. There is room for a very wide discretion in the making of such apportionments. It would not be right or proper to intrust the Post Office Department with the discretion of making such apportionment, because the Post Office Department has an obvious interest at stake, its object always being to reduce the railroad pay to a minimum.

The last preceding statement is fully justified by the facts disclosed by the foregoing pages, which show how consistently the Post Office Department has relied upon reductions in railway mail pay as the ever available source of desired curtailments of expenses, and how unsuccessfully the railways have resisted this persistent pressure. They show that successive Postmasters General have taken advantage of every legal possibility, such as taking the longest time between mail weighings which the law permits and the strained interpretation of the statute fixing the basis of payment (p. 19), in order to effect reductions in railway mail pay. Consequently, the facts point irresistibly to one conclusion, namely, that the Post Office Department is a bureaucratic entity with an

interest in the reduction of the amounts paid to the railways that is incompatible with an impartial ascertainment of what is fair compensation. This interest, coupled with the brief tenure of the responsible officers of the department, must always incline the latter to support insufficient standards of mail pay and prevent their recognizing the ultimate necessity of paying fairly for efficient service. It would, therefore, be clearly inexpedient and strikingly unjust to place railway mail revenues wholly at the mercy of the department by enacting a law which would authorize each Postmaster General to fix railway mail pay on the basis of his own inquiries and opinions in a field in which so much must be left to estimate and approximation as that of the relative or actual cost of the different kinds of railway service.

It is conceded that every railway mail contract is between the Government, which is the sovereign, and a citizen, and that the nature and terms of the contract are always substantially to be dictated by the former. But this very condition invokes the principle of primary justice, that the sovereign shall take care to exercise its power without oppression. To this end the determination of the terms on which the Post Office Department may have the essential services of the railways ought to be reserved, as at least partially in the past, to the Congress, or if delegated at all, they should be intrusted to some bureau or agency of Government not directly and immediately interested in reducing railway mail pay below a just and reasonable compensation.

APPENDIX A.

EXTRACTS FROM THE POSTAL LAWS AND REGULATIONS.

Railroad companies, at stations where transfer clerks are employed, will provide suitable and sufficient rooms for handling and storing the mails, and without specific charge therefor. These rooms will be lighted, heated, furnished, supplied with ice water, and kept in order by the railroad company. (Sec. 1186, par. 2.)

The specific requirements of the service as to * * * space required * * * at stations, fixtures, furniture, etc., will at all times be determined by the Post Office Department and made known through the General Superintendent of Railway Mail Service. (Sec. 1186, par. 3.)

Railroad companies will require their employees who handle the mails to keep a record of all pouches due to be received or dispatched by them, and to check the pouches at the time they are received or dispatched, except that no record need be kept of a single pouch from a train or station to the post office or from the post office to a train or station which, in regular course, is the only pouch in the custody of the company's employees at that point while it is being handled by them. This is not to be construed as relieving railroad companies from having employees on trains keep and properly check a record of all closed pouches handled by them, without exception. (Sec. 1187, par. 1.)

In case of failure to receive any pouch due, a shortage slip should be made out, explaining cause of failure, and forwarded in lieu of the missing pouch. Specific instructions in regard to the use of shortage slips will be given by the General Superintendent of Railway Mail Service. (Sec. 1187, par. 2.)

Every irregularity in the receipt and dispatch of mail should be reported by the employee to his superintendent promptly, and if a probable loss of or damage to mail is involved, or if the cause of failure to receive a pouch is not known, the report should be made by wire, and the superintendent will notify the division superintendent of Railway Mail Service without delay. A copy of the employee's report should be attached to and become a part of the permanent pouch record. (Sec. 1187, par. 3.)

Train pouch records will be kept on file at the headquarters of division superintendents of railroad companies for at least one year immediately following the date the mail covered by them was handled, and shall be accessible there to post-office inspectors and other agents of the Post Office Department. Station pouch records will be kept on file at the station to which they apply for at least one year immediately following the date the mail covered by them was handled, and shall be accessible there to post-office inspectors and other agents of the Post Office Department. (Sec. 1187, par. 4.)

Railroad companies will require their employees to submit pouch records for examination to post-office inspectors and other duly accredited agents of the Post Office Department upon their request and exhibition of credentials to such employees. (Sec. 1187, par. 5.)

Every railroad company is required to take the mails from and deliver them into all terminal post offices, whatever may be the distance between the station

and post office, except in cities where other provision for such service is made by the Post Office Department. In all cases where the department has not made other provision, the distance between terminal post office and nearest station is computed in and paid for as part of the route. (Sec. 1191, par. 1.)

The railroad company must also take the mails from and deliver them into all intermediate post offices and postal stations located not more than 80 rods from the nearest railroad station at which the company has an agent or other representative employed, and the company shall not be relieved of such duty on account of the discontinuance of an agency without 30 days' notice to the department. (Sec. 1191, par. 2.)

At connecting points where railroad stations are not over 80 rods apart, a company having mails on its train to be forwarded by the connecting train will be required to transfer such mails and deliver them into the connecting train, or, if the connection is not immediate, to deliver them to the agent of the company to be properly dispatched by the trains of said company. (Sec. 1192.)

At places where railroad companies are required to take the mails from and deliver them into post offices or postal stations or to transfer them to connecting railroads, the persons employed to perform such service are agents of the companies and not employees of the postal service and need not be sworn; but such persons must be more than 16 years old and of suitable intelligence and character. Postmasters will promptly report any violation of this requirement. (Sec. 1193.)

Where it is desirable to have mails taken from the post office or postal station to train at a terminal point where the terminal service devolves upon the company, in advance of the regular time of closing mails, the company will be required to make such advance delivery as becomes necessary by the requirements of the service. (Sec. 1194.)

When a messenger employed by the Post Office Department can not wait for a delayed train without missing other mails, the railroad company will be required to take charge of and dispatch the mails for the delayed train, and will be responsible for the inward mail until delivered to the messenger or other authorized representative of the department. (Sec. 1195.)

Whenever the mail on any railroad route arrives at a late hour of the night the railroad company must retain custody thereof by placing the same in a secure and safe room or apartment of the depot or station until the following morning, when it must be delivered at the post office, or to the mail messenger employed by the Post Office Department, at as early an hour as the necessities of the post office may require. (Sec. 1196.)

When a train departs from a railroad station in the nighttime later than 9 o'clock, and it is deemed necessary to have the mail dispatched by such train, the division superintendent of Railway Mail Service will, where mail is taken from and delivered into the post office by the railroad company, request the company, or where a mail messenger or carrier is employed by the Post Office Department, will direct him, to take the mail to the railroad station at such time as will best serve the interest of the mail service. Such mail will be taken charge of by the agent or other representative of the railroad company, who will be required to keep it in some secure place until the train arrives, and then see that it is properly dispatched. (Sec. 1197, par. 1.)

The division superintendent of Railway Mail Service will give reasonable advance notice to the proper officer of the railroad company, in order that the agent or representatives of the company may be properly instructed. (Sec. 1197, par. 2.)

Railroad companies will be expected to place their mail cars at points accessible to mail messengers or contractors for wagon service. If cars are not so placed the companies will be required to receive the mails from and deliver them to the messengers or contractors at points accessible to the wagon of the messenger or contractor. (Sec. 1198.)

A mail train must not pull out and leave mails which are in process of being loaded on the car or which the conductor or trainman has information are being trucked from wagons or some part of the station to the cars. (Sec. 1199.)

At all points at which trains do not stop where the Post Office Department deems the exchange of mails necessary, a device for the receipt and delivery of mails satisfactory to the department must be erected and maintained; and, pending the erection of such device, the speed of trains must be slackened so as to permit the exchange to be made with safety. (Sec. 1200, par. 1.)

In all cases where the department deems it necessary to the safe exchange of the mails the railroad company will be required to reduce the speed or stop the train. (Sec. 1200, par. 2.)

When night mails are caught from a crane the railroad company must furnish the lantern or light to be attached to the crane and keep the same in proper condition, regularly placed and lighted; but if the company has no agent or employee at such station, the company must furnish the light, and the care and placing of same will devolve upon the department's carrier. (Sec. 1200, par. 3.)

The engineer of a train shall give timely notice, by whistle or other signal, of its approach to a mail crane. (Sec. 1200, par. 4.)

Railroad companies are required to convey upon any train, without specific charge therefor, all mail bags, post-office blanks, stationery, supplies, and all duly accredited agents of the Post Office Department and post-office inspectors upon the exhibition of their credentials. (Sec. 1184.)

APPENDIX B.

Classification of operating expenses.

[Data from reports of the Interstate Commerce Commission.]

Class.	Average cost per mile of line.					
	Fiscal year 1910.		November, 1909.		Monthly average for the other 11 months of the fiscal year.	
	Amount.	Monthly average.	Amount.	Per cent of monthly average for the fiscal year.	Amount.	Per cent of monthly average for the fiscal year.
Maintenance of way and structures.....	\$1,562.88	\$130.24	\$124.04	95.24	\$130.80	100.43
Maintenance of equipment.....	1,746.00	145.50	148.44	102.02	145.23	99.82
Traffic expenses.....	220.61	18.38	18.85	102.56	18.34	99.78
Transportation expenses.....	2,893.71	324.48	327.78	101.02	324.18	99.91
General expenses.....	287.71	23.98	23.10	96.33	24.06	100.33
Total.....	7,710.91	642.58	642.21	99.94	642.61	100.00

APPENDIX C.

Receipts from passenger and freight traffic, by months.

[Data from reports of the Interstate Commerce Commission.]

Month.	Passenger receipts per mile of line.			Freight receipts per mile of line.			Per cent of passenger receipts to receipts from both passengers and freight.
	Total.	Daily average.	Per cent of daily average for year.	Total.	Daily average.	Per cent of daily average for year.	
1909.							
July.....	\$251.66	\$8.12	112.15	\$608.67	\$19.63	88.46	29.25
August.....	269.70	8.70	120.17	653.97	21.10	95.09	29.20
September.....	254.95	8.50	117.40	704.51	23.48	105.81	26.57
October.....	231.80	7.48	103.31	781.91	25.22	113.65	22.87
November.....	206.69	6.89	95.17	752.69	25.09	113.07	21.54
December.....	211.55	6.82	94.20	640.59	20.66	93.11	24.83
1910.							
January.....	187.42	6.05	83.56	618.06	19.94	89.86	23.27
February.....	171.92	6.14	84.81	603.76	21.56	97.16	22.16
March.....	202.61	6.54	90.33	716.76	23.12	104.19	22.04
April.....	203.84	6.79	93.78	658.93	21.96	98.96	23.63
May.....	218.47	7.05	97.38	682.96	22.03	99.28	24.24
June.....	233.25	7.78	107.46	674.97	22.50	101.40	25.68
Average.....	220.32	7.24	100.00	674.81	22.19	100.00	24.61

APPENDIX D.

HOW RAILWAY WAGES HAVE INCREASED.

In the year 1901 the railways reporting to the Interstate Commerce Commission received, in gross, from operating sources the sum of \$1,588,526,037 and expended in wages and salaries the sum of \$610,713,701; in 1910 the corresponding totals were \$2,750,667,435 and \$1,143,725,306. Computations from these totals show that in 1901 the railways expended in wages and salaries \$38.45 out of each \$100 of gross operating receipts, while in 1910 the proportion had increased to \$41.58, a difference of \$3.13 in each \$100 of gross receipts. This difference does not seem small, but it is hardly realized, except when the calculation is made, that on the basis of the gross receipts of 1910 it would amount, as it does, to an additional expense of \$86,095,890.72. It is to be borne in mind that this largely increased payment to labor is in spite of the fact that a part of the increase in wage rates has been offset by higher efficiency in method and facilities. Comparisons of rates of wages, from the annual statistical reports of the Interstate Commerce Commission, follow:

Class of employees.	Average wages per day.		
	1901	1910	Increase.
			<i>Per cent.</i>
General office clerks.....	\$2.19	\$2.45	11.87
Station agents.....	1.77	2.14	20.90
Other station men.....	1.59	1.91	20.13
Enginemen.....	3.78	4.34	14.81
Firemen.....	2.16	2.57	18.98
Conductors.....	3.17	3.73	17.67
Other trainmen.....	2.00	2.72	36.00
Machinists.....	2.32	3.03	30.60
Carpenters.....	2.06	2.39	16.02
Other shopmen.....	1.75	2.20	25.71
Section foremen.....	1.71	1.99	16.37
Other trackmen.....	1.23	1.57	27.64
Telegraph operators and dispatchers.....	1.98	2.16	9.09
Employees, account floating equipment.....	1.97	2.10	6.60
All other employees and laborers.....	1.69	1.96	15.98

APPENDIX E.

HOW RAILWAY TAXES HAVE INCREASED.

[Data from reports of the Interstate Commerce Commission.]

Year.	Amount paid.	Average per mile operated.	Per cent of net receipts.
1900.....	\$48,332,273	\$251.00	8.7
1901.....	50,944,372	260.50	8.6
1902.....	54,465,437	272.12	8.3
1903.....	57,843,569	281.76	8.4
1904.....	61,696,354	290.69	9.0
1905.....	63,474,679	292.55	8.5
1906.....	74,785,615	336.36	8.8
1907.....	80,312,375	353.09	8.9
1908 ¹	84,565,146	366.84	10.7
1909 ¹	90,529,014	384.57	10.1
1910 ¹	103,795,701	430.99	10.3

¹ Not including terminal and switching companies.

LIST OF RAILROADS EXPRESSLY INDORSING FOREGOING BRIEF.

The following railroads, represented by the officials indicated, have responded to my circular letter of September 11, by referring to and

giving their indorsement of the response of the committee on railway mail pay:

- Augusta Southern Railroad Co., A. B. Andrews, president.
- Archison, Topeka & Santa Fe System, George T. Nicholson, vice president.
- Atlantic Coast Line Railroad Co., T. M. Emerson, president.
- Arizona Eastern Railroad Co., Epes Randolph, president.
- Arkansas, Louisiana & Gulf Railway Co., J. M. Parker, general manager.
- Bellingham Bay & British Columbia Railroad Co., Mott Sawyer, superintendent.
- Blue Ridge Railway Co., A. B. Andrews, president.
- Chicago & Alton Railroad Co., B. A. Worthington, president.
- Coal & Coke Railway Co., A. M. Smith, general manager.
- Central Vermont Railway Co., G. C. Jones, general manager.
- Cornwall & Lebanon Railroad Co., A. D. Smith, president and general manager.
- Chicago & Western Indiana Railroad Co. and The Belt Railway Co., of Chicago, J. M. Warner, general manager.
- Colorado Midland Railway Co., George M. Vallery, president.
- Central Indiana Railway Co., Joseph Robinson, president.
- Chicago, Indianapolis & Louisville Railway Co., Fairfax Harrison, president.
- Carolina, Clinchfield & Ohio Railway, Mark W. Potter, president.
- Central of Georgia Railway Co., Charles H. Markham, president.
- Chesapeake & Ohio Railway Co., M. J. Caples, fourth vice president.
- Denver, Northwestern & Pacific Railway Co., W. A. Beerbower, general superintendent for receivers.
- Delaware & Hudson Co., L. L. Loree, president.
- Danville & Western Railway Co., A. B. Andrews, president.
- Delaware & Hudson Co., C. S. Sims, second vice president and general manager.
- Delta Southern Railway, R. V. Taylor, president.
- Erie Railroad Co., J. C. Stuart, vice president.
- Great Northern Railway Co., Carl R. Gray, president.
- Georgia Northern Railway Co., C. W. Pidcock, president.
- Georgia Railroad, Thomas K. Scott, general manager.
- Gulf & Ship Island Railroad Co., W. T. Stewart, vice president and general manager.
- Georgia & Florida Railway, W. B. Denham, general manager.
- Hartwell Railway Co., A. B. Andrews, president.
- Hocking Valley Railway Co., M. S. Connors, general manager.
- Huntington & Broad Top Mountain Railroad & Coal Co., Carl M. Gage, president and general manager.
- Illinois Central Railroad Co., C. H. Markham, president.
- Kansas City, Clinton & Springfield Railway Co., E. J. Perry, vice president.
- Kansas City, Mexico & Orient Railway Co., Neal S. Doran, auditor for receivers.
- Kansas City Southern Railway Co., J. A. Edson, president.
- Las Vegas & Tonopah Railroad Co., J. Ross Clark, president.
- Lehigh & Hudson River Railway Co., Morris Rutherford, vice president and general manager.
- Lehigh & New England Railroad Co., Rollin H. Wilbur, vice president and general manager.
- Lexington Terminal Railroad Co., Thos. K. Scott, vice president.
- Maine Central Railroad Co., Morris McDonald, vice president and general manager.
- Macon, Dublin & Savannah Railroad, S. T. Wright, vice president and general manager.
- Manistee & Grand Rapids Railroad Co., Chas. H. Morey, vice president.
- Minneapolis, St. Paul & Sault Ste. Marie Railway Co., E. Pennington, president.
- Missouri, Kansas & Texas Railway Co., W. A. Durham, assistant general manager.
- Missouri & North Arkansas Railroad, George L. Sands, receiver.
- Missouri, Kansas & Texas Railway Co.; Missouri, Kansas & Texas Railway Co. of Texas; Texas Central Railroad Co.; Wichita Falls Lines; W. A. Webb, general manager.
- Montana, Wyoming & Southern Railroad Co., M. W. Maguire, general manager.

Mobile & Ohio Railroad Co., R. V. Taylor, vice president and general manager.

Nashville, Chattanooga & St. Louis Railway, J. W. Thomas, jr., president and general manager.

New York, Auburn & Lansing Railroad, H. A. Clarke, general manager for receivers.

New York Central Lines, W. C. Brown, president.

New York, Chicago & St. Louis Railroad Co., A. W. Johnston, general manager.

New York, Ontario & Western Railway Co., John B. Kerr, vice president.

Norfolk Southern Railroad Co., Morris S. Hawkins, secretary.

Northwestern Pacific Railroad Co., A. H. Payson, president.

Oregon-Washington Railroad & Navigation Co., J. D. Farrell, president.

Pacific Railway & Navigation Co., D. W. Campbell, president.

Pere Marquette Railroad Co., S. M. Felton, receiver.

Ray & Gila Valley Railroad Co., D. C. Jackling, vice president and general manager.

Richmond, Fredericksburg & Potomac R. R. Co., Wm. H. White, president.

Rock Island Lines, John Sabastian, third vice president.

Rutland Railroad Co., Geo. T. Jarvis, general manager.

Salem Falls City & Western Railway, D. W. Campbell, president.

San Antonio & Aransas Pass Railway Co., J. S. Peter, first vice president and general manager.

San Pedro, Los Angeles & Salt Lake Railroad, H. C. Nutt, general manager.

Spokane, Portland & Seattle Railway Co., J. H. Young, president.

Southern Pacific Railroad Co., William Sproule, president.

Southern Railway Co., A. B. Andrews, first vice president.

Southern Railway Co., in Mississippi, R. V. Taylor, vice president and general manager.

St. Louis, Rocky Mountain & Pacific Railway Co., J. Van Houten, president.

Tallulah Falls Railway Co., A. B. Andrews, president.

Tonopah & Goldfield Railroad Co., M. B. Cutter, president.

Union Pacific Railroad Co., Oregon Short Line Railroad Co., A. L. Mohler, president.

Union Point & White Plains Railroad Co., Thomas K. Scott, general manager.

Virginia & Carolina Southern Railroad Co., J. P. Russell, general superintendent.

Virginia & Southwestern Railway Co., E. H. Coapman, vice president and general manager.

Wadley Southern Railway Co., William A. Winburn, president.

Wheeling & Lake Erie Railroad Co., W. M. Duncan, receiver.

Winston-Salem Southbound Railway Co., H. E. Fries, president.

Yazoo & Mississippi Valley Railroad Co., C. H. Markham, president.

VIEWS OF SHORT-LINE RAILROAD ASSOCIATION.

Under date of December 31, 1912, the Short Line Railroad Association, by Mr. John N. Drake, its secretary and treasurer, representing independent short-line mail-carrying railroads, operating in every section of the country, submitted the following letter:

SHORT LINE RAILROAD ASSOCIATION.

New York, December 31, 1912.

COMMITTEE ON POST OFFICES AND POST ROADS.

United States Senate, Washington, D. C.

GENTLEMEN: The Short Line Railroad Association, representing independent short-line mail-carrying railroads, operating in every section of the country, begs to submit for your consideration their plea for fair and equitable treatment based upon reasonable compensation for the services they render the Government.

Their pay now, notwithstanding the increased facilities they have provided and the increased responsibilities they have assumed, with the additional cost incident thereto, is less by 10 per cent than it was prior to the act of July 12, 1876, and 5 per cent additional to that since July, 1878. It has also decreased one-seventh since 1907, when the Post Office Department, in contravention to law and established custom, changed the divisor from six days to seven.

In the early days of railway mail transportation the small quantity of mail carried by the few short-line railroads was in mail bags placed in any convenient location in the baggage cars. As the labor and expense of hauling this light mail was negligible, no objection was made to its delivery at the post offices located at terminals, nor to observing the obsolete English custom adopted by the Post Office Department, which obtained in the old stagecoach days, of delivering mail at post offices 80 rods or less from the post roads. One mail a day was the limit of the service, and the little packages were easily handled and delivered by an employee of the road, whose pay then was small and who had plenty of time to give the slight service, without interfering with his other duties.

In the great developments which have taken place since those bygone days short-line railroads have multiplied a hundredfold, the little mail pouch has grown to an apartment car, the small bundle for delivery to a wagonload. The march of progress and improvement has permeated every branch of the railway mail service, and will continue to do so if properly supported by the Government. The little mail-carrying roads, however, can not meet growing demands handicapped by obsolete customs and unbusinesslike methods. They can not donate in the future, as in the past, their car space, and fit it up at their own expense as a post office, carrying mail messengers to perform post-office duties without being recompensed in some slight degree for the service.

In the experimental stage of using apartment-car space in addition to full-car space for post-office purposes our roads readily granted the privilege, under the assumption that the Government when it had demonstrated the feasibility and usefulness of the method they had adopted would unhesitatingly amend the law granting pay for a 40 foot or more car in length to cover those of lesser extent. No provision, however, has been made to do this nor has any disposition been displayed on the part of the Government to take such action. From a few apartment cars used as auxiliaries to help out full cars, the growth has been marvelous and unprecedented—3,800 apartment cars last year against 1,464 full cars. Full cars entitled to receive pay under the law will soon cease to be used except upon the largest railroad systems, if the present policy of the Post Office Department is permitted to continue without suitable regulation by law. In order to accomplish this purpose it is only necessary for the department to split hairs and order a 35 or a 38, or even a 39 foot car.

The short-line railroads are not asking subsidies or special privileges, but they do ask that they be treated with the same consideration and accorded the same rights granted to other systems of railroads for a like service. They simply want justice and a square, straightforward, honorable business deal. Nothing more nor less. They are entitled by every consideration that governs a business community to receive their proportion of the pay given for the use of any car performing the same character of service they perform, whether the space used is 5 feet or 60 feet.

The claim is made that the short-line railroads are now paid for carrying the mails. This is only true as applied to the weight, and is equally true in the same regard to any other system of railroads.

The use of the postal car, no matter what its length, is invaluable in contributing to the present requirements of the service in facilitating the prompt delivery of the mail in the city or in the country, and the car fitted up as a post office and given over exclusively to the use of the mails is an honest charge against the Government and is as much entitled to be paid for as post-office space in a city or town.

A provision covering this entirely satisfactory to the short-line railroads is inserted in the amendments to the present law governing railway mail pay as introduced by Representative Talbott in H. R. 4044, and reads as follows:

"That the space used for railroad post-office purposes in apartment cars shall be paid for at a pro rata rate of the rate of compensation allowed for postal cars 40 feet in length."

In a recent decision given in a United States district court regarding the right of the Post Office Department to enforce its regulations governing the use of apartment cars without pay, the court ruled that the road had no redress in the matter while working under the contract made with the department, but could refuse to renew the contract and discontinue the service.

The alternative is here presented of seriously embarrassing the postal service and harshly discommoding the people along the railroad lines by terminating the service or by penalizing the roads for their efficient service if they continue to act as mail carriers.

Can and will the Government as a just arbitrator consent to perpetuate a notoriously glaring injustice at the expense of the short-line railroads, or force them to abandon it as an unprofitable service which they are financially unable to maintain?

Again, the mail-carrying compensation on the short-line railroads, in accordance with a Post Office Department regulation, is not determined by the distance covered by the train service, but is computed to include the distance over the public highway to the post office depending upon the railroad service for its mail. Some of these post offices are a mile, more or less, from the railroad stations. It can readily be seen that a highway service, however primitive it may be, if used to carry the mail any distance from the railroad station can not be maintained at the same rate per mile per year that is paid for railroad transportation.

A short-line railroad, 10 miles in length, with a post office half a mile distant from its station receives \$42.75 per mile per year, or \$427.50 for its year's work on the train mileage and \$21.37 for the highway service, a total of \$448.87. The little stretch of half a mile on the highway, at a very conservative estimate, costs 75 cents a day, or \$262.50 per year, thus reducing the railway mail pay actually received to \$226.37, more than one-half. In no instance is the railway mail service performed by the short-line railroads without their paying a heavy toll out of their meager receipts.

The passage of the parcel-post act and its introduction on the short lines January 1, without making any provision whatever for the service, is a proceeding that is open to the most severe criticism. Here we have an entirely new class of mail matter not contemplated nor provided for by contract or agreement thrust upon the roads with little opportunity to prepare for the service and no pay provided to pay for the same. Generous preparations seem to have been made for increased postal employees, wagons, automobiles, additional post-office rooms, etc.; in short, everybody and everything is taken into account except the railroads, the cornerstone of the entire business combination.

The competent, reliable, and safe builder in the common everyday walks of business life shores up and strengthens the weak parts of the superstructure before adding weight upon the foundation. But those in charge of the new and sensitive business recently evolved to undertake a great business venture are now "window dressing" to attract the crowd to their top-heavy structure without giving any thought or attention to the foundation.

It certainly surpasses belief that any unfair bureau regulation in this or any other postal direction inflicted upon our short-line railroads will be tolerated by our Representatives in Congress, when the facts as they exist are brought to light and made plain. In the parcel-post matter an immediate weighing of all parcel-post mail should be ordered on our railroads, and this mail when weighed should be properly classified and paid for in a just and equitable way to all concerned from the beginning of the service, January 1.

Further, the unjust discrimination practiced against the short lines in apartment-car space, side and terminal deliveries, annual weighings, etc., should be promptly remedied by amending the postal law in conformity with H. R. 4044, introduced by Representative Talbott.

Overzealous employees of the Government, like overzealous employees of corporations, unthinkingly bring into disrepute the very interests they are selected to serve under the mistaken idea that the exercise of authority temporarily invested in them is to be used in one direction, forgetting that there are two interests instead of one to take into account, each of which is entitled to equal consideration.

To guard against the abuse and misuse of power, as a matter of public duty, our legislators should hesitate in taking the risk of delegating their power and authority as representatives of the people to any department or bureau of the Government.

Respectfully,

SHORT LINE RAILROAD ASSOCIATION,
By JOHN N. DRAKE,
Secretary and Treasurer.

REPLIES OF RAILROADS.

Below are given the replies received from all railroads, arranged in alphabetical order, to the inquiries propounded in my circular letter of September 11, with the exception of those railroads already

indicated indorsing without further comment the reply of the committee on railway mail pay:

THE ANN ARBOR RAILROAD CO. AND STEAMSHIP LINES,

Toledo, Ohio, October 1, 1912.

HON. JONATHAN BOURNE,

Washington, D. C.

DEAR SIR: Your letter of September 11, addressed to Mr. S. Hendrie, president of the Manistique & Lake Superior Railroad Co., in regard to Senate bill No. 7371, has been referred by Mr. Hendrie to me for attention.

In your letter you ask for an expression of opinion upon the following questions:

(1) Do you deem the present plan of compensation an equitable one as between the Government and the railroads? If not, in what respects and as to what classes of railroads is it inequitable?

(2) Is the underlying principle of the plan embodied in the inclosed bill a proper basis for compensation? If not, wherein is it improper, and why?

(3) What, in your opinion, is a desirable plan for compensating railroad companies for transporting the mails?

It is difficult to give offhand an answer to these questions. While the present plan of compensation for mail service may be improved upon, it is certainly a much more equitable one than the one proposed in Senate bill No. 7371. Under the present plan, the mails are weighed once every four years, and the compensation fixed by that weighing is the compensation to be paid the railroad companies during the ensuing four years, and no allowance is made for the increased service required from year to year, until the quadrennial weighing is made. This plan results in the railroads getting a much lower average rate per year for the service performed than they would receive if the weighing was equalized, or if it was made annually. To illustrate: A rate of pay may be fixed by weighing on railroad A for the period of four years, which we will say will average \$200 per mile. Four years from now the weight is again taken, and it is found that the increase in mails carried has raised the rate to \$300 per mile. As this increase has, in all probability, been gradual during the four years, the average rate per mile during the four years should have been \$250, whereas the rate paid has been \$200 for the whole four years. This is not fair nor equitable to the railroad companies.

In regard to the second question, the principle of the plan embodied in Senate bill 7371 is absolutely wrong and unfair to the railroad companies in that it places within the absolute control of the Postmaster General the power to fix the rates of compensation which he shall pay to the railroad companies for performing services for the Post Office Department. In other words, the principle is that the purchaser of anything should have the right to say what he shall pay for it. In no other business, whether transportation, commercial, industrial, or professional, is this principle adopted. This plan would permit the Postmaster General to fix the price on any railroad and would give him the power to favor one line as against another, to reduce the price paid for service to an amount less than the actual cost of the service, because he is also to fix the cost. Even if the principle of having the Postmaster General fix the price to be paid by first ascertaining if the cost were equitable, the proposition that the compensation shall be "not exceeding the cost to the railroad companies of carrying the mails as ascertained by him and 6 per cent of such cost added thereto," would be grossly unfair to the railroad companies.

The bill reads that "the Postmaster General shall determine the cost to each railroad company of carrying the mails on its route or routes." I assume that this means the actual cost of performing the service and does not include any allowance for use of tracks, trains, stations, and the general plant of the railroad company. The average cost of operating the railroads and performing the service necessary for the transportation of freight, passengers, mail, and express is about 66 per cent of the gross revenue received. The remaining 34 per cent is required to pay taxes, interest on bonds, and out of the remainder such dividends to the stockholders as the balance may justify. We, therefore, estimate that it requires at least 50 per cent of the cost of performing service to pay fixed charges and a reasonable interest on the cost of the property and equipment used in performing the service. Therefore, the proposed 6 per cent to be added to the cost of performing the service of carrying the mails

would not be one-fifth of the interest charge on the property used in performing such service. The Government would, therefore, be receiving at least 25 per cent of the actual cost of performing the service without compensation.

The proposed bill also puts in the power of the Postmaster General the placing of fines on the railroad companies for all manner of things, and leaves it absolutely in his power, without any right of appeal, to fine as he pleases.

The whole bill is what is called a "jug-handled arrangement" and the Postmaster General will hold the handle.

In answer to the third question, "What is a desirable plan for compensating railroad companies for transportation of the mails"? I have only one opinion—and that is, that any plan which is fair and equitable and gives a fair consideration for the service rendered with such a reasonable amount of profit as is contemplated by law would be a desirable plan. If the Postmaster General and the railroads can not agree on what is fair compensation, then I would suggest a commission of fair-minded and disinterested men to decide what would be fair compensation.

Yours, very truly,

J. RAMSEY, JR.

THE BALTIMORE & OHIO RAILROAD CO.,
Baltimore, Md., October 25, 1912.

HON. JONATHAN BOURNE, JR.,
Washington, D. C.

MY DEAR SIR: This will acknowledge receipt of your communication of the 11th ultimo, with respect to the consideration to be given by a joint committee of Congress to the question of compensation to be paid to railroad companies for the transportation of the mails.

Replying to the inquiries you submit:

Question 1. Do you deem the present plan of compensation an equitable one as between the Government and the railroads?

Answer. By the present plan we assume you refer to the practice of paying by weight, plus allowances for cars used in the Railway Postal Service and for special terminal and other minor services. Our view is that this plan of compensation can be applied so as to be equitable alike to the Government and to the railroads, and is correct in principle in that it recognizes and compensates for special facilities furnished as well as for the quantity of mail carried.

Under the present application of the plan, however, there appear to be numerous inequities to the railroads in that:

(a) Through the practice of quadrennial weighings the railroad companies are compensated for carrying the mail on the weight ascertained at the beginning of a four-year period, and therefore carry the natural growth of mail in a given territory during the succeeding four years without compensation; consequently they are performing a constantly increasing service without remuneration.

(b) In ascertaining the daily average weight of mail it is believed that the present practice, dating from the act of Congress of March 2, 1907, supplemented by order No. 412 of the Postmaster General changing the divisor, is not equitable, in that the railroads giving the greater measure of service for a given quantity of mail carried receive the lesser compensation.

(c) While provision has been made for compensation where full postal cars are used, where compartment cars are used the railroads are called upon to furnish a large amount of car-foot space for Railway Mail Service without compensation therefor.

(d) As a rule the provision for terminal service is inadequate, while for "side messenger service" no compensation is provided.

With the correction of these details, it is believed that the general provisions of the present law will be found to be equitable alike to the Government and to the railroads.

Question 2. Is the underlying principle of the plan embodied in suggested bill 7371 a proper basis for compensation?

Answer. We understand that the purport of this bill is to apply a plan of compensation based upon operating costs and taxes apportioned on car-foot space as occupied by the respective classes of passenger-train traffic. A basis of compensation on car-foot space properly apportioned might be equitable,

provided cost accounting could be developed to a point of sufficient accuracy, and provided such accounting recognized and embraced all elements of cost. The plan proposed in Senate bill 7371, however, is not based upon an accepted basis of cost accounting, and is believed to be fundamentally wrong in that it does not recognize and provide a fair return upon the proportion of capital employed in the enterprise—in fact, provide for no return whatever upon capital account.

Question 3. What, in your opinion, is a desirable plan for compensating railroad companies for transporting the mails?

Answer. As indicated above, we feel that with certain modifications the plan that has been in operation for a number of years past can be adjusted and operated so as to be fair and equitable to the Government and to the carriers alike.

It is recognized, however, that this is a very important subject, bearing on the different classes of service and the different sections of the country in various ways, and therefore the railways' members of the American Railway Association have appointed a committee on railway mail pay, which for several months has been giving consideration to the subject of mail compensation. We have noted the communication of the acting chairman of this committee, addressed to you under date of October 3, and concur in the position taken by the committee in its response to your inquiries. We feel that this committee will be in position from time to time to give you further full and accurate information on many points bearing on this subject, and to make more valuable suggestions in line with your inquiry than a single railroad could possibly do.

Under recent laws additional burdens have been placed upon the railroad companies and particularly in the way of requirements for steel postal cars, and through department orders similar requirements have been made to cover mail apartment cars, these cars being in substitution for cars previously constructed on plans approved by the postal authorities. We do not criticize the general desire under changed conditions for stronger and better cars in railway postal service, but such changes do require the abandonment of equipment heretofore considered adequate, and the substitution of new equipment. All of these changes involve increased cost to the railroads and the expenditure of additional capital. Notwithstanding this, and in the face of an increased amount of mail carried, the compensation for railway mail service has been seriously decreased; thus encroaching on the net revenues of the companies, which should be augmented rather than decreased if the railroad credits are to be upheld on a basis to maintain the roads in a position to extend both the amount and character of service necessary to meet the growing public requirements.

We appreciate the evident desire of your committee to determine this question on a basis equitable alike to the Government and to the railways, and I am sure the railways generally will gladly cooperate with your committee in its endeavor to arrive at a conclusion.

Very respectfully,

D. WILLARD.

BANGOR & AROOSTOOK RAILROAD CO.,
Bangor, Me., September 25, 1912.

HON. JONATHAN BOURNE, JR., Washington, D. C.

DEAR SIR: To your inquiries of September 11 I beg to say:

(1) I do not deem the result obtained for the Bangor & Aroostook Railroad Co. under "the present plan of compensation" an equitable one. Its operation is, in my opinion, inequitable because Federal procedure is often arbitrary and because the practical and the responsible are too much subordinated to the opposite.

(2) In my opinion "the underlying principle" is not "a proper one," in that no one person, however able, or however conscientious, can acquire knowledge of all of the direct and incidental cost which is imposed upon, and which each railroad company imposes upon itself in moving the mails. (Desire to well serve patrons often results in contribution of service which costs many times more than the governmental allowance in return.) Experience has taught that a Federal officer who has been to pains to investigate specific service, and inadequacy of compensation, may resign, or be displaced, before an equitable adjustment is possible.

(3) My opinion is that a competent representative of the Post Office Department should join a competent representative of each railroad company in an inspection of the service which is performed on every section of road over which mail is transported, and that the same standards should be applied between Post Office Department and railroads as it is intended to have applied between other purchasers of transportation and the railroads per interstate commerce and other relevant laws.

Yours, truly,

F. W. Cram, *President.*

BESSEMER & LAKE ERIE RAILROAD CO.,
Pittsburgh, Pa., October 14, 1912.

HON. JONATHAN BOURNE, JR.,
Washington, D. C.

DEAR SIR: I duly received your letter of September 11, with copy of Senate bill No. 7371, asking for replies to certain interrogatories.

The committee on railway-mail pay of the American Railway Association has submitted a reply to your letter, a copy of which has been furnished to us, which we fully indorse and agree to the position taken by that committee.

We would further state, however, that as far as the Bessemer & Lake Erie Railroad Co. is concerned, the compensation should be on a remunerative basis for the investment in especially fitted cars and facilities provided, and, in addition, that the railroad should also receive revenue on a more equitable basis for tonnage handled.

The fact is that the usual weighing period has been in the spring of the year, when business is lightest, and no consideration is given for the heavier tonnage during the balance of the year, nor are the railroad companies allowed, as they should be, compensation based upon the cost of the service and equipment, with a reasonable profit.

The bill as presented by you provides that "the Postmaster General shall determine the cost to each railroad company of carrying the mails on its respective road or roads, and shall verify and state the result in such form and manner as he shall deem proper." This puts more power in the hands of the Postmaster General than heretofore enjoyed by him, and those who have had experience know that the power has already been exercised to its limit.

The further clause that if the railways disagree with the conclusion of the Postmaster General, either as to form, significance, or assignment, the matter shall be referred on appeal to the Interstate Commerce Commission. The Interstate Commerce Commission long ago despaired of applying a rational basis of apportionment of operating expenses as between passenger and freight traffic. We think the burden imposed upon the Interstate Commerce Commission by such appeals would be a source of annoyance not only to the commission but to the railroads, as the determination of the appeal would involve a study of each road's conditions, varying to a great extent from year to year.

We have had an experience with the Post Office Department in regard to the matter of compensation and have found that the arbitrary methods pursued by this department are one-sided to the extreme. There is no chance for reaching the Postmaster General with an appeal beyond the Second Assistant Postmaster General, the latter's stereotyped reply being that the matter has been passed upon by the Postmaster General, and that seems to be the end of the matter as far as the department is concerned. We took exception to their method of computing compensation for the present four years as against the previous four years, and showed by facts and figures that our compensation was \$900 less on the present basis and that we handled on an average for the 90 days' weighing period 5,392 pounds, as against 4,747 pounds, on which the former basis was arrived at. Their method of computation was based on a divisor of seven, used arbitrarily for all roads in our class, yet we handled no mail on Sunday and were entitled to a divisor of six, which would have given us a better revenue and which we were entitled to. This was brushed aside with the statement that "their method of ascertaining the average daily weight has become an established rule and has been applied to all service without exception since the promulgation of the order covering the service of all States except those embraced in the fourth contract section (Western States), which would be weighing the following spring, and to which it will then be applied." That settled the whole proposition as far as the Post Office

Department was concerned, and there was nothing for us to do but to submit. We submitted, but brought suit against the Government of the United States for what we felt we were entitled to, and the matter is now pending in the Court of Claims (No. 31230).

Respectfully,

E. H. UTLEY, *General Manager.*

BELLEFONTE CENTRAL RAILROAD CO.,

Philadelphia, October 9, 1912.

HON. JONATHAN BOURNE, JR.,

Washington, D. C.

MY DEAR SIR: Your polite favor of September 11, concerning Senate bill 7371, was duly received. In replying I shall endeavor to give such available figures as seem to substantiate my views.

1. The present system of fixing mail pay, if amended as proposed in House bill 4044, would be equitable and satisfactory.

2. Senate bill 7371 appears to me to be crude and indifferent to the rights of the railways, as for example:

Cost plus 6 per cent.—To the casual observer the cost of service plus 6 per cents seems to be a sufficient compensation. I shall try to show that this is not the case, and that we have just grounds for complaining of the new plan.

I am, of course, writing from the standpoint of the short lines, which number in this State alone, according to the report of the Bureau of Railways of Pennsylvania for the year ending June 30, 1911, pages XVII–XX, 132 roads, with a total mileage in the State of 3,040 miles.

Operations for the year were as follows:

Gross earnings from operation, \$12,115,694, or \$3,985 per mile; operating expenses, \$8,332,971, or 68.7 per cent of the gross; other expenses, taxes, interest, and renewals, \$3,006,650, or 20.5 per cent of the gross; total dividends paid, \$750,978, averaging 1.13 per cent on a stock capital of \$21,720 per mile.

The average ratio of operating expenses to gross earnings from operation of all the roads in the State is 70.5 per cent, and 70 per cent is the average of all the roads of this country with annual operating revenues of \$1,000,000 or more.

If we take 70 per cent as a fair estimate of the proper figure, a little thought will show that it will require the operating expenses with 40 per cent of the operating expenses added to equal the average operating revenue earned at present and needed to properly conduct the roads.

Evidently, since it took the cost of operation with 40 per cent of the cost added to enable the short lines of Pennsylvania to pay dividends of $1\frac{1}{4}$ per cent upon a reasonable capitalization, the cost plus 6 per cent of the cost is insufficient compensation.

Fair and equitable cost.—We anticipate, from House Document 105, that if the Postmaster General be permitted, under the vague provision of this bill, to “determine the cost of carrying the mails in such manner as he shall deem fair and equitable.” we should be much worse off than we are at present. Referring to pages 272–273 of Document 105:

The department allowed us at the rate of \$3,260.92 car-feet miles per annum; we claim \$8,100 car-feet miles per annum.

The department estimated the cost to us at \$592.32 per annum; we claimed a cost of \$2,469 per annum.

The department estimated our profit at \$575.40 per annum; we asserted a loss of \$1,521 per annum.

The roads complain very generally of the way in which their figures have been employed in the preparation of the document. The calculations seem to be based upon a rule which the department has laid down that 6 linear inches shall be allowed for 100 pounds of mail, 10 inches for 200 pounds, and 5 inches for each 100 pounds over 200 pounds.

When a car is filled to the roof with mail matter this may be correct; I do not know; but it is not correct for a closed-pouch service like ours, where the amount of mail varies from 1 bag to 40 bags, where the larger amount must be provided for, and where this small number can not be compressed into the same proportionate space as if the car was full of mail.

I hold, therefore, that the “car-space-used” basis of estimating for a closed-pouch service is inapplicable to conditions, and that neither the amount of the compensation proposed nor the manner of ascertaining it is safe or satisfactory.

For the year ending June 30, 1912, a careful estimate of the cost to us of conducting the mail service, counting in operating expenses, depreciation, and taxes, is as follows:

Cost of service.....	\$2, 474. 46
Mail revenue.....	\$1, 167. 67
Less deliveries.....	220. 00
	<hr/> 947. 67
Net loss.....	1, 526. 79

Deliveries.—We do not consider the cost of deliveries—\$220, as above—to be an operating expense. It is not railway service of any sort. We have to let the work to outside parties, and the pay they receive is simply a deduction from our mail pay.

This bill proposes that the roads shall provide side, terminal, and direct transfer service. In my opinion it would be better and cheaper, at such small places as are usually served by the short lines, if the duty of collecting and delivering the mails were assigned to the local postmasters. They should perform it with little, if any, increase of compensation. The railway employees can not do it, as they are fully occupied at the times of arrival or departure of trains in selling tickets or handling freight, and for this reason we have to contract for the work at the rate of \$488 per mile, being paid ourselves at the railway rate of \$59.85 per mile.

House bill 4044 proposes to relieve the railways of side and terminal deliveries.

The Senate bill provides that the railways must accept the compensation offered or suffer heavy penalties, confiscatory penalties. I do not suppose that this probably unconstitutional provision will be seriously considered by Congress.

3. As to offering a suggestion for a desirable plan of compensation, I would say that House bill 4044 appears to me to meet the requirements very well. If this can not be accepted, I would renew a suggestion that I made some years ago to the effect that the mail should be weighed for every train and settled for under a tariff proportionate to other tariffs and subject to regulation. I can see no objection to this plan.

In House document 105 I find the names of only about 12 of the 132 short lines of this State. Perhaps the short lines did not respond very generally to the request to report upon their mail service. If so, it is to be regretted, as the framers of the bill seem to be unfamiliar with the conditions existing upon the short lines, or have at least not taken them sufficiently into account in drawing it up.

It seems to me that in this and in all railway legislation it would be just and conducive to the intended reforms that some classification of the railways should be adopted, either according to their mileage or by their gross earnings, as already prevails in some of our States.

The more we study the subject the more plainly it appears that laws which are applicable to trunk lines and proper in their cases may easily be ruinous to the short lines.

Such unintentional and oppressive results ought to be looked out for and avoided wherever possible.

With much respect, I remain,

Very truly, yours,

ROBERT FRAZER, *President.*

BOYNE CITY, GAYLORD & ALPENA RAILROAD CO.,
Boyne City, Mich., October 2, 1912.

JONATHAN BOURNE, JR.,
Washington, D. C.

DEAR SIR: Your letter of September 11 to Mr. W. H. White, inclosing Senate bill No. 7371, is received and noted.

We do not think your bill would be a desirable one to pass. In the first place, we think you are figuring on a wrong basis to be fair with the railroad companies. Second, we think you would get into a very complicated controversy as to the compensation that should be paid to the railroad company. There are very many different conditions existing over the country and we think you will have to figure out some different plan. On a short road, such as we operate, no

special equipment is provided for carrying the mails. It is carried along with the express and only requires a small amount of space. We think it is not fair to railroad construction to hold the actual earnings down to a 6-per cent basis. If it were not for the railroads the country would not be what it is, and you people in Washington should be figuring to give them a fair deal rather than to see how close you can figure all the time.

Yours, very truly,

W. L. MARTIN, *Secretary.*

BOSTON, REVERE BEACH & LYNN RAILROAD,

Boston, September 16, 1912.

HON. JONATHAN BOURNE, JR.,

Washington, D. C.

DEAR SIR: Yours of the 11th instant, inclosing Senate bill 7371, has been received.

In reply, I will say that this company carries mail to two small towns adjoining Boston. The amount of compensation is so small that I prefer not to express an opinion in regard to the matter.

Yours, very truly,

JOHN A. FENNO, *Superintendent.*

BUFFALO, ROCHESTER & PITTSBURGH RAILWAY CO.,

Rochester, N. Y., November 1, 1912.

HON. JONATHAN BOURNE, JR.,

Washington, D. C.

DEAR SIR: Replying to your letter of September 11. propounding three questions in relation to mail pay:

Question 1. Do you deem the present plan of compensation an equitable one as between the Government and the railroads?

Answer. We do not deem equitable the plan outlined in Senate bill 7371, but do believe that House bill 4044, introduced by Mr. Talbott on April 11, 1911, is more equitable to both the United States and this railroad. This bill in short provides (a) for a flat rate of \$75 per mile per year for carrying mail not to exceed 500 pounds in weight per day; (b) annual weighing, thus giving (c) relief to railroads from delivering mails at points beyond their stations; (d) provides that space in apartment cars used for post-office purposes shall be paid for at a pro rata rate of the rate now paid for cars 40 feet in length.

Question 2. Is the underlying principle of the plan embodied in Senate bill 7371 a proper basis for compensation?

Answer. The underlying principle of the plan embodied in Senate bill 7371 is not correct. Any plan for compensation based upon operating cost plus 6 per cent as a maximum for profit is fundamentally wrong. Furthermore, it gives to the Postmaster General the power to ascertain by his own method the cost to a railroad of conducting its business, and such arbitrary method, in our opinion, is wholly impracticable and would prove disastrous in most, if not all, lines of trade. Moreover, this bill does not require the Postmaster General to pay to the railroad its cost of conducting mail transportation plus 6 per cent, but such authorized payment describes that such cost (ascertained by him) plus 6 per cent is a maximum beyond which he may not go, and such amount that he shall pay is left wholly to his discretion. There further appears to be no method of appeal by the railroad other than that matters bearing upon the question of what the Postmaster General shall and does pay may be referred to the commission, but does not give the railroads an opportunity to be heard by that commission, and should the railroad feel that the compensation is not just, may not refuse to handle mail (at a loss) without committing an unlawful act and making itself liable to a fine for so doing.

Question 3. What, in your opinion, is a desirable plan for compensating railroad companies for transportation of mails?

Answer. As stated in answer to question No. 1, House bill No. 4044, introduced by Mr. Talbott, of Maryland, on April 11, 1911, amending the present law, seems to meet present-day conditions much more satisfactorily in so far as it proposes: Annual weighing of mails, thus giving to the carriers the benefits of the natural increase in weight of mail each year; proper payment for space used in apartment cars assigned to R. P. O. service, based on the pro rata that

car space used bears to a car 40 feet in length, as is provided for; relief from terminal and side-line delivery; establishes a minimum of \$75 for routes carrying less than 500 pounds per day.

Bearing in mind that it is the intent of the United States to deal fairly with the carriers, it appears to me that this bill falls into class legislation in so far as the United States would assume the position of a favorite shipper. The underlying principle of the interstate-commerce law is equality among shippers and to prevent discrimination. The bill as introduced permits of discrimination at the discretion of the Postmaster General, in whom is conferred the right to decide what the rate of compensation to a carrier shall be, and empowers him to arbitrarily order the carrier to perform a service whether it be at a profit or at a loss.

Yours, truly,

H. E. HUNTINGTON,
General Passenger Agent.

CAROLINA & NORTHWESTERN RAILWAY CO.,
Chester, S. C., October 8, 1912.

HON. JONATHAN BOURNE, JR.,

Washington, D. C.

DEAR SIR: I have been furnished with a copy of reply forwarded by the committee on railway mail pay, and fully indorse the position taken by that committee, with the further expression of views on the subject:

Question 3. (A) Weigh 30 days in each year.

(B) Divide by six days (and not penalize the line that gives seven-day service).

(C) Pay on present basis for hauling.

(D) Either pay a fair passenger rate per mile for post-office clerks and other employees, or relieve the railroads from all personal-injury claims on their account.

(E) Relieve lines of terminal or side-line deliveries, else pay for them.

(F) In addition to the rate paid for actual haulage, allow for compensation for all car space exclusively used by the Post Office Department.

(G) Would further ask you to consider the fact that the rate basis for carrying the mails was established at a time when there were no mail cars, clerks, or carriers, and the railroads carried the mail bags in their baggage cars and dropped them off, as per tags. The weight basis is the correct basis for that service, but when postal clerks were added and post offices on wheels demanded and required to be attended to better than the parlor-car service on the lines on which they run, it goes without fear of contradiction that the roads should have pay for each service separately.

And further, there is no justification from any business standpoint in only considering cost of service and not include fixed charges, which must be incurred before the service can be performed. It reminds me of the merchant who purchased a fine store, put in a large stock of goods and sold them on basis of cost of clerk hire, without considering the value of the goods or plant. Absurd, you say, and I agree with you, but that is an exact parallel to the basis of pay proposed in bill No. 7371.

Yours, very truly,

L. T. NICHOLS,
General Manager.

CENTRAL RAILWAY CO. OF ARKANSAS,
Plainview, Ark., September 17, 1912.

HON. JONATHAN BOURNE, JR.,

Washington, D. C.

DEAR SIR: We have your favor of the 11th. We do not operate extensively enough to give you an opinion of what you require. As far as we are personally concerned, the present laws are satisfactory to us for handling the mails. If we had a more extensive railway it would probably be different.

We trust this information will answer your purpose. We are,

Yours, truly,

CENTRAL RAILWAY CO. OF ARKANSAS,
By C. W. JONES, General Manager.

CHARLESTON & WESTERN CAROLINA RAILWAY CO.,

Augusta, Ga., September 25, 1912.

HON. JONATHAN BOURNE, JR.,

Washington, D. C.

DEAR SIR: Replying to your circular letter of September 11 inviting answers to certain questions concerning the compensation now paid railroads and proposed compensation as set forth in Senate bill 7371.

Answering your first question: I do not regard the present plan of compensation an equitable one as between the Government and the railroad that I represent, for the reason that we are not paid for the apartment cars, while full-length cars are paid for, and, further, because the rate paid is far less than the actual cost as evidenced by certain statistical information which you will find contained in a brief which I submitted to the Committee on the Post Office and Post Roads of the House of Representatives, a copy of which brief I herewith inclose, since which time, by the way, our mail-car mileage has been largely increased, thus reducing our revenues per apartment car-mile to about 5 cents.

Second. I do not think that the plan embodied in the proposed Senate bill a proper basis for compensation, but I will not attempt at this time to discuss it.

Third. I am rather inclined to believe that the present plan as a basis is probably about as good a one as we will be able to arrive at, with the additional feature that all mail-car space should be paid for and not confine it to full-length cars only, and thus discriminating in favor of the heavy mail routes when as a matter of fact the weaker lines should be protected in every way possible. Further, that the mail should be weighed at least annually or else that an adjustment be made following the weighing after four years, based upon an increase for the average time.

Yours, very truly,

A. W. ANDERSON,
General Manager.

CHARLESTON & WESTERN CAROLINA RAILWAY CO.,

*Augusta, Ga., December 15, 1910.*HON. JOHN W. WEEKS, *Washington, D. C.*

MY DEAR SIR: When we were given a hearing by your committee on June 14 last you laid down the proposition, by inference if not in words, that if the railroads of the country handled any business without profit on passenger trains through a voluntary arrangement it was reasonable that we should be required to carry the United States mails at an unprofitable rate whether we wished to do so or not.

It appears, therefore, Mr. Chairman and gentlemen, that we must not only show this committee that the rates paid us for carrying the mails are unprofitable, but we must also show why express rates are as low and in some cases possibly lower, and why there can be no comparison between the two, and why, even if so alike as to warrant comparison, the pay should not necessarily be the same.

No one thing, possibly, has done more to develop this great country of ours in the past than the liberal treatment given the railroads. It may be true that in some instances high rates have been charged, but it unquestionably is also true that the right to conduct their business in their own way has made possible the construction of many roads that, under conditions existing at this time, would never have been constructed, among others, the railroad I represent; and although some portions of it were completed nearly 40 years ago, and all of it over 25, it has not yet reached a point where it could pay even a low rate of interest to its owners. All earnings in excess of interest on a low bonded indebtedness have been devoted to improving the property in an effort to make it valuable, not alone to its stockholders but also to the section through which it runs.

Some of our rates per ton per mile seem high; others so low as to make it questionable whether profitable. The passenger rates are the same as apply on other lines. What I have said of our line can be said of many others throughout our section.

No matter what the conditions are or how many tons per train-mile can be hauled, no railroad could live and charge on all of its business what it earns per ton per mile on its lowest class of traffic. Therefore rates must vary, not alone because the articles hauled may differ, nor on account of the care that

must be exercised in the handling of one as compared to the other, but they must differ for still another reason that is recognized as perfectly sound, and that is that one class of traffic can afford to pay a higher rate than another, though similar in many respects; another thing always considered is volume; still another, value.

To properly develop a business it has been a well-known practice, and one that I think is beyond criticism, to charge rates that will enable the business to develop.

Fast service, safe service, and frequent service are of much more importance to the individual than the mere question of whether he pays a few cents more or less per hundred on freight that he may ship, and nothing is so much deplored from a standpoint of progress and development as the attitude displayed, not alone by the public, and largely by them through a real misconception of the facts, but by the Government itself, as evidenced by the utterly inadequate pay fixed by Congress for carrying the mails. I say "fixed" advisedly; for while we could no doubt sustain in the courts a refusal to perform the service at the rates paid, public sentiment and our wish to do our full duty to our patrons has led us to perform the service at such rates as you fix and under such regulations as the department has laid down.

Notwithstanding the fact that we are spending considerably more money in the maintenance and operation of our property than we earned 10 years ago, we are actually being paid a total of less for carrying the mails now than we were paid 10 years ago, though we are handling, of course, more mail and are performing 50 per cent more mail car miles.

Please note the following actual figures:

Total mail pay, 1900-1901-----	\$23, 489. 73	
Total mail pay, 1909-10-----	22, 930. 90	
Decrease -----	558. 83	or 2. 38 per cent.
Total mail car miles, 1900-1901-----	252, 748	
Total mail car miles, 1909-10-----	378, 177	
Increase -----	125, 429	or 49. 82 per cent.
		Cents.
Rate paid per mail car mile, 1900-1901-----	9. 3	
Rate paid per mail car mile, 1909-10-----	6. 1	

These figures are exclusive of pouch routes, nor do they take into consideration the cost of handling to and from post offices, which, if included, would still further reduce our earnings per car mile.

Assuming that there had been no increase in the weight carried and that we were being paid only the increase we were entitled to (if there had been no change in the rates paid us) on account of increased cost of doing business, we would have been paid about 12 cents per mail car mile instead of 6.1 cents.

Deducting alone the cost of handling the mails to and from post offices, which work we also do, it would reduce our net earnings for the handling of 378,177 mail car miles and the pouch routes to \$19,795.06, or to 5.2 cents per mail car mile.

We have been asked to say what a reasonable compensation would be. To answer this question in a word and without giving my reasons and some facts and figures would, I believe, be unsatisfactory to your committee. I will undertake, therefore, to give you some figures by which you can arrive at what I think should be at least our minimum pay per mail car mile.

We have never regarded our passenger business as a profitable one, as you will understand from the following figures:

During the past year our passenger service revenue per train-mile was 74.18 cents. Our operating expenses per train-mile amounted to \$1.22. Last year our average passenger train revenue per car mile, including Pullman cars, coaches, baggage cars, mail cars, and express cars, was 26.23 cents per mile, and yet our mail, which practically occupies the half of one car, paid us only 6.1 cents per car mile, or less than one-half, approximately, of what the average car in our passenger trains earned, and that, too, notwithstanding there was but little, if any, profit from our passenger trains.

Our cheapest service is supposed to be our freight-train service. It is cheapest because of the large volume that can be handled in the most inexpensive way. It is because the facilities and men engaged cost less per dollar earned

than in the passenger service. It is because the original cost of freight cars, and, as well, the maintenance, is hardly one-tenth the cost of passenger cars, and it is also because we do not have to furnish, in many other respects, the same expensive service that is required by passengers.

I am sure it will be admitted by this committee that if the vast majority of our railroads failed to make something on their freight business they would fail to pay expenses, and that if we use our cheapest service as a comparison we go very much further than we ought to go in demonstrating the inadequate pay allowed us for handling the United States mails.

We averaged last year earning 17 cents per car mile for every freight car, whether loaded or empty, handled on our line, and yet we only earned 6.1 cents per mail car mile, not including, mind you, the handling of mail to and from post offices; nor does this include 72,616 pouch route miles.

We have very recently, at the request of the department, put on additional mail-car service that will add 22,536 miles and reduce our revenue per mile still further—from 6.1 cents to 5.7 cents. Please bear in mind that this additional service will have to be performed for some two years longer without one dollar's additional pay. We have also been asked by the department for other mail-car service, which will add 43,800 more miles, without pay, or a total of 66,336 additional miles. This largely increasing our already nonprofitable work reminds me of the story of the merchant who, when asked how he managed to sell his clothing below cost, as he claimed to do, gave as his explanation that he sold so much of it.

Possibly the Post Office Department has this in mind when they add 66,336 more mail car miles to the service we are already performing at a loss. Could anything be less reasonable and more unfair?

The space set aside in our apartment cars for mail service averages about 192 square feet per car, while our freight-car average is about 306 square feet per car. We therefore find that had our mail-car service paid the same rate per square foot per mile that our freight-car service paid, we would have earned 10.7 cents per mail car mile, instead of 6.1 cents, or \$40,464.94 instead of \$22,930.90, our present mail pay.

Is this statement of facts alone not sufficient to convince you how inadequately we are paid?

Compare the character of cars, the character of contents, including the Government's employee, who is in every sense regarded as a passenger, the fast service, the greater risks, and the extra delivery service at stations with the ordinary freight service, and surely it can not be questioned that the pay allowed us is absurdly low.

We have been asked in what way our mail pay has been reduced and to what extent. Need I answer the question other than to refer to the fact that our total pay to-day is less than it was 10 years ago, though gross earnings of our road per mile have increased during that time fully 100 per cent, and our mail car miles have increased 50 per cent, and our gross operating expenses during this time have increased practically 100 per cent?

If our rates had not been reduced and we had been paid in accord with the increased cost of doing business, not to mention the increased mail car miles, we would get to-day twice as much as we were paid 10 years ago.

At the hearing before this committee in June last I called attention to the pay of the rural delivery carrier as compared with the pay given the railroads. The rural carrier is given 12 cents per mile for handling a few pounds of mail. The public furnish the highway that he operates over and maintain it. It is optional with the carrier whether he rides or walks. If the former, it is through no greater necessity than because he prefers the ease rather than the saving of the cost involved in riding. The railroads maintain their own highway, at a cost to them of, in many cases, one-fifth of their gross earnings. They must furnish not only a conveyance for the transportation of the mail, but they must furnish an office on wheels for the use of the Government's messenger, whom they must also transport free and must provide him with all of the comforts furnished other passengers. The one is paid 12 cents per mile; the other, at least our road, is paid 6 cents per mile. There must be some cause for so great a difference. Is it because the Government can not get its work performed by the individual if it paid even as low rates as it pays the railroads for 10, yes, 20, times the service? Surely the fact alone that the Government may force its regulations upon the one, while it must pay the other reasonable rates or else do without the service, is not the reason that we are being paid such unjust rates; rather, it should be a reason why the Government should see that we are properly paid.

From the questions asked by your committee regarding our arrangement with the express company you seem to have in mind that our express earnings should be used as a basis to govern our mail pay.

For the information of the committee I will state that we have a contract with the Southern Express Co. Our contract, I suppose, is very similar to contracts in effect between other roads and the Southern Express Co. It provides that we should get (I haven't the exact figures before me) one-half of the express earnings for hauling the express. It also provides that the express company assumes all responsibility for personal injury and loss and damage claims, except charges on such perishable freight as may not move after having been receipted for. The express company must also furnish all employees necessary to handle the business where it originates, at its destination, and at transfer points en route.

The contract also provides for certain responsible services to be performed for the railroad in the way of transporting money from the agencies collected to such points as may be designated; in fact, the arrangement, in a few words, is that the railroad company agrees simply to haul the business and the express company agrees to perform certain free service and to assume all risks and expenses, the proceeds to be divided between the two.

Our experience has been that there was little or no profit in the express business to us, but it is so much a part of the railroad business that we do not feel that we can get away from it.

Our express revenues in the past 10 years have varied from as low as \$6,843.87 in 1900-1901 to \$27,561.75 in 1906-7. I don't believe that the express company, so far as some of the worst years in the past 10 are concerned, have made a dollar, any more than we have, out of the business, and I have no doubt but that they would be willing, if they could do so, to go out of the business on our road just as readily as we would be willing to do so.

The handling of mail and the handling of express is as different as two propositions can be. In carrying the mails we are performing a service without having the slightest interest in the revenues derived; the other is an arrangement in which we participate in the earnings upon an agreed basis that is as much to our advantage as it is to the express company, and worth nothing directly to either.

I was asked by a member of this committee in June last why we did not make a better arrangement with the express company and get more out of it. I believe that the facts stated above will answer that question; that is to say, I believe we have made about the best trade we could expect to make, and one certainly as good as the express company would make with us in view of the very low express earnings.

Another feature of the agreement with the express company that I failed to mention is that the express company agree not to name a lower charge than would be agreeable to us. Our reason for this must be plain, and that is that we want the express rates maintained at such a standard as not to interfere with our freight business. Certainly, we do not want to encourage business to move by express that could move by freight when we get all of the revenue instead of dividing it with the express company. The theory is that we want only such high-class business as will stand much higher rates to be tendered the express company. If it is of such a character as can stand freight service, we want it to move by freight.

A member of your committee at the June hearing—Mr. Lowden, I believe it was—asked me to be prepared to give this committee our line's proportion of the rate from Washington to Augusta, stating that the information would bear on the question under discussion, as it would show what we did when we made a voluntary agreement with the Atlantic Coast Line Railroad upon freight matter under a traffic agreement as compared with the involuntary arrangement with the Government.

We are paid for handling the mail between Robbins and Augusta \$50.85 per mile per year for 444 pounds of mail matter, and I do not understand that that rate is affected in any way by the distance that the mail has been handled or whether the mail comes from a point on our line or from Washington, D. C.

The rate, Washington to Augusta, on first-class freight, is 89 cents per 100 pounds; this rate is divided, up to Richmond 16 cents, and the balance of 73 cents, from Richmond to Augusta, is divided, Atlantic Coast Line, 75.2 per cent, and Charleston & Western Carolina, 24.8 per cent; that is to say, the Atlantic Coast Line, for 430 miles, fifteen-sixteenths of the distance, gets 55 cents, while for 30 miles, one-sixteenth of the distance, we get 18 cents. The Coast Line gets

only three times as much for hauling the business 15 times as far. Certainly this must evidence our getting a fair share of the revenue when we are permitted to exercise our rights.

At the hearing in June the chairman of your committee asked me if I meant to suggest that the Government ought to pay more for the mail service performed than it cost, or more than the Government got out of it. My reply was: "Most assuredly."

Surely the Government does not expect us to haul mail at a loss because their revenue might not cover the cost. We do not share in the profits and, of course, should not suffer the losses.

If the Post Office Department would abolish free delivery, they would show a profit of many millions instead of a loss.

I believe that this committee will readily admit that the money is made for the Government by the railroad carriers. Suppose for a moment the Government had to transport its mail entirely through star routes or other like carriers, can it be doubted that instead of tens of millions deficit it would not be hundreds of millions?

If the railroads are making the money for the Post Office Department, how much greater the reason that they should be paid at least a reasonable profit for the service performed?

Is it fair, is it legal to require us to work, not only without profit, but at an actual loss?

Again referring to express rates and a comparison of mail pay with our express revenues.

The rate on cotton from Augusta to New York is 40 cents per 100 pounds. The rate on dry goods is 96 cents per 100, or considerably over twice as much, and yet both are composed entirely of cotton, both are handled in box cars, and both handled on freight trains, and yet no one, so far as I have ever heard, has taken the position that the rates should be the same.

Again, if we haul coal as low, in some instances, as 3½ mills per ton per mile, is that any possible reason why we should haul dry goods and cotton at the same rate? We earn per mile twice as much on fertilizers as we do on cotton seed, but is that a reason why fertilizers should take the same rate? No; I submit that we are entitled to a reasonable profit for handling the United States mails, no matter what we get out of the arrangement with the express company, and I submit that our arrangement with that company is a reasonable one, even though there is no profit to the railroads. Another difference between the two propositions is that when the express revenues increase from one month to another, we get the benefit of the increase, while no matter what the increased tonnage of our mails may be, nor does it matter how much we may have to increase our mail-car miles, our revenues from the mail service do not increase from one mail-weighting period to another; that is, for a period of four years. This, I think, should also be changed. Surely the present regulation can not be defended.

For your consideration we submit that no matter what the divisor has been, our revenue has been low, and inasmuch as the rates paid us have been based upon the divisor heretofore used that divisor has become a basis upon which mail pay has been constructed and should not be changed.

The tendency of mail rates, like all other rates, has been down, and we insist that with every expense pertaining to railroad operations going up and all rates going down, that it is a serious matter to disturb the very foundation upon which our pay was based and has been regulated for years.

We further submit that if the present divisor is retained that our rates per 100 pounds should be materially increased.

We further submit that a minimum mail car (or apartment car) rate per mile should be paid of not less than 20 cents, and for the reason that a less rate would not compare favorably with freight earnings per freight-car mile (our lowest rate profitable business), and for the further reason that any less minimum would not give us a substantial profit.

We further submit that we should be paid for office and mail-car space, whether full-length cars or apartment cars. There can hardly be a reason why post offices on wheels should be furnished by the railroads, free of charge, and transported over the roads for the convenience of the department, whether they are 20 feet in length or 40 feet in length.

In addition to the foregoing, we submit for your further consideration, answers to a number of questions bearing upon the mail-car service performed by us, the pay received, and a comparison with other passenger-train earnings.

From every point of view that has occurred to us, all figures point, with absolute conclusiveness, to the claim we make that we are not only badly underpaid, but that we are far from being paid the actual cost of the service performed.

All of which is most respectfully submitted.

Yours, very truly,

A. W. ANDERSON,
General Manager.

CHESTNUT RIDGE RAILWAY CO.,
Palmerton, Pa., September 17, 1912.

Hon. JONATHAN BOURNE, Jr.,
Washington, D. C.

DEAR SIR: I gladly avail myself of your kind request to lay before you any comments which may occur to me in connection with Senate bill 7371.

Page 1 and page 2, lines 1 to 12: I heartily commend the curbing of the vast power of the Postmaster General by subjecting his methods to the review of the Interstate Commerce Commission. I feel, however, that railroads should be permitted to raise objection to the results obtained in each case as well as to the method employed.

Page 2, line 23, should be amended to read as follows: "He shall allow such rate."

Page 2, lines 18 to 24: The scheme contemplated seems to me to require railroads to handle United States mail without compensation. Your proposition is that railroads shall perform this service, shall pay the current cost of doing it out of their own pockets, and at the end of the year shall simply receive back the money which they have actually spent, together with the customary bank interest on same. The railroads only get back the money which they have actually expended, with interest, and get nothing for the service rendered.

Page 3, lines 7 to 12: The Postmaster General should be required to get his information from reports already filed with the Interstate Commerce Commission without imposing additional clerical burdens upon the railroads.

Page 3, lines 13 to 25, and page 4, lines 1 to 18: The power of the Postmaster General should be subject to the control of the Interstate Commerce Commission in these as in all other matters.

Page 7, lines 9 and 10: The Postmaster General should not be intrusted with the determining of the amount of fines without appeal.

Page 9, lines 3 to 7: To deny to railroad companies the fundamental right of refusing to enter into an unsatisfactory contract without providing adequate safeguards in the shape of appeal seems to me to violate the Constitution of the United States and the principles which underly all human rights and laws.

Yours, truly,

B. F. R. CLARK, Auditor.

CHICAGO & ILLINOIS MIDLAND RAILWAY CO.,
Chicago, October 18, 1912.

Hon. JONATHAN BOURNE, Jr.,
Washington, D. C.

DEAR SIR: Replying to yours of the 11th ultimo, addressed to Mr. J. J. Hart, former vice president of this company, to which is attached a copy of proposed Senate bill No. 7371.

We do not consider the present plan of compensation an equitable one as between the Government and this company. Under the present system mail is weighed quadrennially, and the basis of compensation is fixed by the Government for that period, based on weight so ascertained, whereas the volume of the mail business is constantly increasing, with the result that under the existing plan the railroad receives no corresponding increase in revenue, which we believe should be conceded by reason of such increase. Under the present system the employee of the railroad company is compelled to carry the mails between the mail car and post offices in towns served by the railroad where the post offices are within 80 rods of the railroad's right of way. We are constrained to the opinion that the service of the carrier should properly terminate at its passenger stations. We do not consider the plan embodied in the proposed bill, which contemplates compensating the railroad companies on basis of actual

cost of the service, plus 6 per cent, as being remunerative, considering the character of the service performed. Furthermore such basis of compensation would not admit of the setting up of a reserve with which to purchase mail cars in the future, as they could not be purchased of the builders on a 6 per cent basis.

We believe that the basis of settlement between the Government and the railroads should be on practically the same lines as is the express business, i. e., at an agreed and remunerative rate per 100 pounds at actual weight, monthly settlement to be effected between the Government and the railroads as at present.

Respectfully submitted.

H. H. SEAVERN, *Traffic Manager.*

CHICAGO & LAKE SUPERIOR RAILWAY CO.,
Cambridge, Wis., September 25, 1912.

HON. JONATHAN BOURNE, Jr.,
Washington, D. C.

DEAR SIR: Referring to your letter of September 11, regarding the new bill about to be placed before the Committee on Post Offices and Post Roads, asking our opinion upon the desirability of said bill, will reply:

No. 1. We do not deem the present plan of compensation an equitable one, for the reason that under the present plan the larger roads are receiving larger compensation for the work they are doing in accordance with their mileage, while the smaller roads with short mileage are not getting enough to pay the trouble of handling the mails; for instance, this road being a trifle less than 4 miles, is carrying for the Government eight mails a day, four each way, for which we receive the nominal sum of \$180 per year, which shows on the face of it that it is not enough.

No. 2. The plan embodied in bill S. 7371 would not remedy this matter for the smaller lines. Take, for instance, this line, only having the mileage before stated, would not receive proper compensation for services rendered, and there should be a clause to protect the smaller lines in order that they may receive better compensation for their work.

No. 3. In our opinion a most desirable plan for compensating railroad companies for transportation of mail would be to place a sentence in this bill making the compensation for all roads with a mileage under 5 miles a special rate per mile, which would be enough to cover the expenses of handling the mail services. As before stated, this line is carrying eight mails per day and receiving compensation, carrying these mails to and from the post office to trains. We would be unable to hire a person to carry the mail from the Cambridge depot to the post office for the amount we receive for same, let alone the handling and responsibility of same while en route on trains and delivery of mail at London. I feel if you would look into this matter carefully you will see that we are right in the above statement.

Yours, truly,

B. L. DELAMATER.

CHICAGO & NORTHWESTERN RAILWAY CO.,
Chicago, Ill., November 25, 1912.

HON. JONATHAN BOURNE,
Washington, D. C.

DEAR SIR: Answering yours of September 11, 1912, transmitting bill No. 7371, introduced by you, and requesting replies to inquiries relative to the present and proposed plan as a basis for compensation to railroad companies for transportation of the mails, on behalf of the Chicago & North Western and Chicago, St. Paul, Minneapolis & Omaha Railway Co's., we respectfully submit the following answers to your inquiries:

First. We deem the present plan of compensation equitable, if modified as follows:

- (A) Annual weighing of the mails.
- (B) No reduction in the present rate of pay for transportation.
- (C) Pay for space provided in apartment postal cars upon the basis of pay for railway post-office cars 40 feet in length, inside measurement.

(D) Relief from the performance of side and terminal messenger service regardless of distance between the post office and railroad station.

(E) Readjustment upon the basis of weight within a reasonable time after the establishment of parcel post.

Second. The underlying principal of the plan embodied in Senate bill No. 7371 is not correct for the following reasons:

(A) Contrary to all economic principles of business, and the method of which, if applied separately to the different classes of business, would ruin and bankrupt every railroad at once.

(B) Objection to granting authority to the Postmaster General to credit, assign, and apportion the revenues and expenditures of railroad companies. This accounting should be made in the usual manner adopted in accounting, or as directed by the Interstate Commerce Commission, granting railroad companies right to appeal to the courts.

(C) Objection to nonpayment for service over land-grant railroads or parts of railroads covered by land grants, being unfair and unjust.

(D) Objection to being required to place railway post-office and apartment postal cars for the purpose of performing advance distribution without an allowance of pay for the time cars are so placed and used.

(E) Objection to providing depot space for handling and distribution and transfer of mails en route, except for transfer clerks' quarters and space for use of railway post-office clerks for the purpose of storing their personal and official property between runs without a specific rental therefor.

(F) Objection to failure to specifically provide for rate to be paid for space devoted to the distribution of mails in transit in railway post-office and apartment postal cars.

(G) Objection to deductions for reduction or frequency of service unless additional pay be allowed for additional service and frequency of service during the period for which the adjustment is made.

Third. The present plan with modifications as stated in answer to inquiry No. 1.

Respectfully,

W. A. GORDON, *President.*

CHICAGO, BURLINGTON & QUINCY RAILROAD CO.,
Chicago, October 8, 1912.

Hon. JONATHAN BOURNE, Jr.,
Washington, D. C.

DEAR SIR: I am in receipt of your communication of September 11, propounding certain inquiries in reference to the present plan of compensation of the railways for handling the mail and requesting an expression of opinion from me as to the plan of Senate bill 7371.

I find that the committee on railway mail pay, upon which this company is represented, addressed a communication to you on the 3d instant in reference to the same subject. After carefully reading the letter of this committee, I beg to say that it fully accords with my own opinion in every particular.

The unfair administration of the present law gives ground for serious complaint and imposes serious losses upon the railroads. I feel certain that if the conditions are fully investigated and considered by your committee it will reach the same conclusion. I have no confidence in the justice of any plan of compensation based upon cost plus 6 per cent. The underlying principle is wrong, because it penalizes efficiency, as fully stated by the committee. No other rates in the country are so based. In order to ascertain cost many intricate computations based upon numerous arbitrary assumptions will be required, and the results found in Senate document 105 upon this subject indicate that it would be impossible for the railroads to agree with the department upon the methods for determining such cost.

I feel that the remedy is to correct the wrongs that are being worked under the present law rather than to experiment with a wholly new principle as a basis for compensation.

I wish to adopt the answer of the committee on railway mail pay as a part of the reply which I submit to your honorable committee in behalf of both the Chicago, Burlington & Quincy Railroad Co. and the Colorado & Southern Railway Co.

Yours, respectfully,

D. MILLER, *President.*

CHICAGO, MILWAUKEE & PUGET SOUND RAILWAY CO.

Chicago, November 5, 1912.

HON. JONATHAN BOURNE, JR.,
Washington, D. C.

MY DEAR SIR: In reply to your circular letter of the 11th ultimo, the following is respectfully offered for your consideration:

(1) The theory of the present plan of compensating railway companies upon the basis of weight carried and special car space and equipment provided is, in my opinion, equitable. In its practical working out the compensation is inadequate under the Postmaster General's Order No. 412 and the last reduction in the rate.

We believe also that we are entitled to compensation for apartment-car space on the basis of a pro rata of the rate allowed for full 40-foot R. P. O. cars.

(2) Any legislation under which the Government makes the maximum payment for service rendered the actual cost plus 6 per cent, such cost to be determined by the representative of the Government, is not equity, but an arbitrary exercise of governmental power. It gives the purchaser the exclusive right to fix the price of that which is purchased.

(3) Payment on the basis of weight carried and exclusive space furnished at compensatory rates.

I understand that the objections to the proposed bill from the standpoint of the carriers, are being formulated in detail and will be presented to you by the committee on railway mail pay, together with their comments upon House Document No. 105, Sixty-second Congress.

Yours, very truly,

E. D. SEWALL,
Vice President.

CHICAGO, MILWAUKEE & ST. PAUL RAILWAY CO.

Chicago, November 18, 1912.

HON. JONATHAN BOURNE, JR.,
Washington, D. C.

MY DEAR SIR: Replying to the questions in your letter, relative to Senate bill 7371:

(1) I consider the present plan of compensation as fair as any that could be devised as between the Government and the railroads, although, since the Postmaster General's Order No. 412 and the last reduction in the rate, the compensation seems inadequate. I also think apartment cars should be paid for at the pro rata rate allowed for full 40-foot R. P. O. cars.

(2) I do not think the underlying principle of the plan embodied in bill S. 7371 is a proper basis for compensation for the reason that weight is generally used as a basis of compensation instead of space, although space is considered, to some extent, in the present method; and besides the bill allows too much discretion to the Postmaster General.

(3) As stated in answer to question No. 1, I consider the present method a reasonably fair one.

I understand that what is known as the committee on railway-mail pay, representing a number of the roads of the country, is preparing answers to the three questions in your letter, setting forth, in considerable detail, the objections to the proposed change in the method of arriving at compensation to the railroads for carrying the mails, and also stating the objections of the railways to House Document No. 105, Sixty-second Congress.

Yours, truly,

E. W. McKENNA,
Vice President.

CHICAGO, PEORIA & ST. LOUIS RAILWAY CO. OF ILLINOIS,
Springfield, Ill., September 23, 1912.

HON. JONATHAN BOURNE, JR.
Washington, D. C.

DEAR SIR: In replying to your esteemed favor of the 11th instant, in which you ask for suggestions or criticisms in connection with Senate bill 7371, to provide the manner of determining the compensation of railroads for the transportation of mails, the only suggestion or criticism which I can offer at this

time is contained in the broad statement that, in my estimation, a great waste of energy and money has been incurred in the preparation of the bill referred to.

In my opinion a much more satisfactory bill could have been prepared had those in charge of the work thought to provide one wherein it was provided that the Postmaster General shall have the power to compel any and all railroads to handle United States mail in any and all trains and cars and fix the compensation to be paid for the service rendered. Upon the order of the Postmaster General all railroads shall furnish free transportation to all employees of the Post Office Department and provide special equipment in which said employees should be privileged to ride, and, finally, that any laws now on the statute books giving to the railroad companies any rights whatever inconsistent with the foregoing should be repealed and the passage of any such laws in the future prohibited.

In other words, I think that Senate bill 7371 is as inequitable and unfair to the railroads as any such bill could possibly be. It gives absolute and dictatorial powers to the Postmaster General and names as the sole arbitrator to be appealed to in case of dispute another department of the Government. So far as the transportation of mails is concerned, the relation the Government bears to the railroad companies is the same as that of the express companies to the railroad companies, and I think the railroad companies, in the handling of United States mails, are entitled to contractual rights. The Constitution of the United States does not contemplate in any manner the idea of placing in the hands of any one man dictatorial powers such as it is proposed to confer upon the Postmaster General in Senate bill 7371.

I am, yours, truly,

JOHN P. RAMSEY,
Chief Executive Officer.

CHICAGO, TERRE HAUTE & SOUTHEASTERN RAILWAY CO.,
Chicago, October 25, 1912.

HON. JONATHAN BOURNE, Jr.,
Washington, D. C.

DEAR SIR: In reply to your letter of September 11, inclosing a copy of Senate bill 7371: Without giving a detailed discussion of the bill, I shall merely point out to your committee that the proposed plan of this bill applied to all business in this country would wreck the Nation; or applied to any single enterprise—industrial or railway—would destroy that.

I have seen a copy of a letter addressed to you by the committee on railway mail pay, dated October 3, and I am in full accord with the position of the committee therein taken.

Yours, very truly,

M. J. CARPENTER, *President.*

COAL & COKE RAILWAY CO.,
Elkins, W. Va., September 19, 1912.

HON. JONATHAN BOURNE, Jr., *Chairman,*
Washington, D. C.

DEAR SIR: Your favor of the 11th instant is received. I am not in a position just at present to reply fully to your inquiries. I have spent considerable time during the last two years on this subject and I believe the present plan of compensation for railway mail services is entirely unfair to the railroads, and especially so to the smaller roads, such as this one.

I believe the underlying principle of the plan embodied in Senate bill 7371, copy of which you inclose, is also unfair. I am unable at this time, however, to prepare a condensed statement of my reasons and of my suggestions as to what would be fair, but will be very glad to furnish a statement of this sort as soon as we can have the necessary information prepared.

Unfortunately this road suffered heavily in the recent floods, and we are at present necessarily spending all our energy to repairing the damage.

Very respectfully,

A. M. SMITH, *General Manager.*

CROSBYTON-SOUTHPLAINS RAILROAD CO.,
Crosbyton, Tex., September 24, 1912.

HON. JONATHAN BOURNE,
Washington, D. C.

DEAR SIR: Replying to your circular letter of the 11th instant, with which was inclosed Senate bill 7371.

Replying to your first question, I can see no method of fixing compensation for postal service on this line which would be more equitable than the one now in use.

To the second question, while it may be possible that the principle of plan embodied in the bill is correct, I do not feel that 6 per cent added to the actual cost of handling the mail is a sufficient remuneration for this class of mail, considering the fact that it requires the highest class of service which we are capable of giving and we are subject to heavy fines for any failure to perform our duty fully and promptly. On a line such as this, with but a single daily train service—handling freight, passengers, mail and express on one train—it would be almost impossible to separate the cost of handling mail from the other classes of service rendered, and the only way which would occur to me to do this would be to fix an arbitrary percentage, which might be correct and would more likely be incorrect.

To the third question, I can see no more just plan for fixing compensation than on a pound basis coupled with car-foot basis.

Yours, very truly,

A. B. SPENCER,
Assistant General Manager.

CUMBERLAND VALLEY RAILROAD CO.,
Chambersburg, Pa., October 24, 1912.

HON. JONATHAN BOURNE, JR.,
Washington, D. C.

MY DEAR SIR: Your circular letter of September 11 was duly received, and I thank you for the opportunity of explaining the deficiency in the amount allowed by law to the Cumberland Valley Railroad Co. for carrying the mails and for the expensive facilities needed by the Post Office Department in connection therewith.

The questions you ask as to the effect of the present plan of compensation on railroads generally and the effect of proposed laws such as Senate bill No. 7371 can best be answered by those who have made a general study of the subject. I have read a copy of the response to you from the committee on railway-mail pay, representing 268 railroads, and it seems to be a fair and adequate summary of the defects and the suitable remedies.

On behalf of the Cumberland Valley Railroad I request your particular attention to the urgent necessity for a provision of law to pay for mail apartments on some basis that will compensate for their service. The railroads get no pay at all for these mail apartments 30 feet or less in length, although these traveling post offices perform the same function as full railway post offices and are not at all needed by the railroad company in transporting the mail; also for a provision of law to pay for side and terminal messenger service at its fair value to the Post Office Department. It is further of great importance that a definite arrangement be made, so that when a railroad company considers itself underpaid or subjected to unduly onerous conditions an appeal from the decision of the Postmaster General may be heard by some neutral authority with power to determine finally the justice of the case.

I believe that the United States Supreme Court has held that the railroads (other than land-grant roads) are not obliged to carry the mails, and it is therefore assumed by many that the railroads are free agents, and if they continue to carry the mails it must be because they consider the rates of pay remunerative regardless of their protestations. If they have the theoretical right of refusing the mail service, they can not exercise the right without ignoring the fact that the communities dependent upon them must have communication by letters, etc., and as the law gives the monopoly of first-class mail to the Post Office Department a refusal by the railroad to accept mail service would cause very great inconvenience and loss to the people. Hence Congress should protect the railroad companies in the performance of this public duty by guaranteeing a fair return both by a positive enactment prescribing adequate and definite rates and

also by providing for some arbitral tribunal for adjusting differences between the Post Office Department and the railroad company.

In the test of November, 1909 (H. Doc. No. 105), the Postmaster General found that the mail pay for the Cumberland Valley Railroad fell short by 23 per cent of covering the operating cost and taxes chargeable to the mail service. Our own calculation at that time showed a shortage of about 35 per cent, and we still believe that our own computation was more correct than that of the Post Office Department. The deficiency in either case is really much greater, because both calculations contain no allowance for fixed charges.

The annual pay of the company for all the mail service covering 160 miles of railroad and including double daily, and in one part triple daily, mail apartment service occupying 25 or 30 feet of the car, is only a little over \$21,000. To obtain a fair return, including 6 per cent dividend, it can readily be estimated that the amount should be at least \$37,000 per annum, or an increase of \$16,000, or about 80 per cent.

This would require an allowance for a daily round trip of a mail apartment car (in addition to the pay for weight of mail carried) on about the following scale:

	Per mile per annum.
30-foot apartment-----	\$63. 50
25-foot apartment-----	53. 00
20-foot apartment-----	42. 50

It is trusted that your committee will succeed in securing legislation to correct this long-standing injustice.

Very truly, yours,

M. C. KENNEDY,
Vice President and General Superintendent.

DEERING SOUTHWESTERN RAILWAY,
Chicago, September 26, 1912.

HON. JONATHAN BOURNE,

Washington, D. C.

DEAR SIR: I have your very courteous letter of the 11th instant, together with copy of Senate bill 7371.

The service this railway now performs in handling United States mail simply in sack form, without any collection or distribution, warrants me in saying we are reasonably well satisfied with our present compensation. This, however, refers only to this railway. We do not believe the plan proposed by the bill would be a reasonable compensation of the service an ordinary mail-carrying railroad would perform, and should this company at any time undertake the collection and distribution of mail between stations on its various lines—that is, the handling of individual pieces of mail—we should certainly find this bill an additional expense against our operation rather than a matter of income.

This writer also has particularly in mind the prospect of handling mail under the parcel-post act, and unless some special provision is made for the parcel post—some special compensation—this company would certainly strenuously object to the basis of compensation proposed in Senate bill No. 7371.

Answering your direct questions:

1. The present plan of compensation seems to this writer to be reasonably equitable, and in making this reply he has reference particularly to mail handled by this company under the plan now in vogue.

2. The underlying principle in the plan embodied in Senate bill 7371 is not a proper basis for compensation, because it would not begin to compensate a railroad for the service performed. No railroad can afford to handle its traffic for the actual cost of the service plus 6 per cent, because of the underlying obligations in the shape of securities that must be met, as well as taxes etc.

3. This writer lacks sufficient familiarity with the whole mail-carrying problem as practiced on the trunk lines to give any information of value. It is his belief, however, that the United States Mail Department should compensate the railroads for the service they perform in a liberal manner, so the service may be extended and of the very best character. Much complaint is being heard in this city and in some other places regarding the inadequate mail facilities. What causes this the writer does not know, but statements are made in the daily press not infrequently that mail is delayed in transit, is delayed in delivery after arrival in Chicago, and certainly a complete study

of the whole problem should be made by your honorable committee into its minutest details before passing an act regulating this matter.

Regret I am not able to advise you more fully. Believe me,

Very truly, yours,

F. B. MONTGOMERY,
President and General Manager.

DELAWARE, LACKAWANNA & WESTERN RAILROAD CO.,

New York, October 31, 1912.

Hon. JONATHAN BOURNE, Jr.

Washington, D. C.

MY DEAR SIR: Your letter of September 11 to our secretary, Mr. A. D. Chambers, with accompanying copy of Senate bill No. 7371, being a bill to provide the manner of determining the compensation of railroads for the transportation of the mails, and the several questions you submit, have had careful consideration at the hands of our people.

Answering your several inquiries in the order in which they are made, I beg, in behalf of this company, to submit the following:

(1) The present plan of compensating the railroads for the transportation of United States mails, broadly speaking, is as fair and equitable a one for the railroads generally as could probably be devised. From the Government's standpoint it certainly never has been inequitable, while, on the contrary, so far as the railroads are concerned in the administration of it, much injustice has almost continuously been done ever since it was adopted.

In the first place, the infrequent weighing of mails, whereby this is done every four years, has unquestionably resulted in the railroads carrying, during each period of four years, somewhere between 5 and 10 per cent in weight of the total mails carried without any compensation whatever. Again, the railroads have been required to perform services between stations and post offices, also terminals, in the way of delivery of mails, at a considerable expense, for which they have never been paid. Still again, the horizontal reduction in pay made by the act of Congress on March 2, 1907, followed by Order No. 412 of the Postmaster General changing the divisor, has worked serious injustice and loss to the railroad companies.

Furthermore, under the regulations of the Post Office Department the railroads are required to handle mails on all trains, and there are innumerable instances where this service has been ordered on trains, the nature of same requiring a full extra car to be hauled by these trains in order to provide the space required by the Post Office Department for a comparatively small amount of mail. The railways are also required to furnish, free of rent, at nearly all important terminal points, space for the storage and handling of mails, and heating and lighting of the space furnished, as also other accommodations for postal employees which cost them in the aggregate large sums of money to provide and maintain.

The recent reductions in compensation for carrying mails referred to above have been made in the face of large increases in the cost of almost every item entering into the expense of railway maintenance and operation. Railway companies, furthermore, are continually assessed with fines for failure to deliver mails on the scheduled time of trains, although the delays in many cases are due to causes wholly beyond the control of the company or its officers.

(2) The plan embodied in Senate bill No. 7371 for compensating the railroads for transportation of United States mails is not a proper and just basis for such compensation, and if made effective by law will work gross wrong and injustice to the railroads of the country. The proposition to place solely in the hands of the Postmaster General of the United States the question of determining what the railroads should receive for performing this important service, coupled with the provision in the bill fixing the method to be pursued by that official in determining the amount of compensation to be paid, is, as we believe, without precedent in this country and amounts to the Government taking from the railway companies their property, or the use of their property, for the public benefit, without due compensation. The operating cost of performing the service, arrived at as prescribed by the bill, together with the taxes plus 6 per cent for profit, would not by any means justly reimburse the railways for the serv-

ice performed for the Post Office Department in the manner that department requires it done through its various administrative orders. It is wholly without precedent in this country, we believe, and entirely wrong in principle, that a department of the United States Government should be given the power contemplated in this bill to use the facilities of the railroads of the country for its purposes on terms fixed by the officials in that department, the interest of such officials being palpably to make the best showing they can for their department regardless of the effect upon the railways of the country, upon which it must so entirely depend to perform the postal service for the public.

The interests of the railways in this matter will not be properly safeguarded by a provision that an appeal from the Postmaster General may be taken to the Interstate Commerce Commission. Not only is that commission now so unduly burdened by the duties imposed upon it by existing laws, as respects the regulation of railway rates and practices, that it can not possibly assume the additional work and responsibilities incident to fixing a just compensation for the transportation of United States mails, but its position is and always has been, since its original appointment, that its duty is to watch over and protect the interests of the public, and not the railroads, in all matters affecting rates and rules governing the transportation of passengers and freight.

(3) It does not seem to us that any better or more equitable plan for compensating the railroad companies for the transportation of United States mails can be adopted than the existing one, which has been in effect for many years and with the operation of which all concerned, both the postal authorities and the railways, are more or less familiar. We believe it might be amended in the manner hereinbefore suggested, which would result in the elimination of some inequities which now exist and which should, in all fairness to the railroads, result in a more impartial administration of the law by the postal authorities than has been prevalent heretofore.

Trusting what I have stated herein may, in some measure at least, commend itself to your careful consideration, I beg to remain,

Very truly, yours,

W. H. LINSDALE,
President.

DENVER & RIO GRANDE RAILROAD CO.,
New York, September 13, 1912.

HON. JONATHAN BOURNE, JR., *Chairman,*
Washington, D. C.

MY DEAR SIR: Your letter of the 11th instant and copy of Senate bill 7371, introduced by you on behalf of the Senate Committee on Post Offices and Post Roads, came this morning, and both have been referred to the operating staff in San Francisco—Mr. C. M. Levey, second vice president and general manager, and Mr. Warren Olney, jr., the general attorney. Western Pacific has been favored thus far with but very little United States mail.

Yours, sincerely,

E. T. JEFFERY.

DENVER, BOULDER & WESTERN RAILROAD CO.,
Boulder, Colo., September 19, 1912.

HON. JONATHAN BOURNE, JR., *Chairman,*
Washington, D. C.

DEAR SIR: Your esteemed favor of the 11th instant with inclosure as stated is received.

As applied to this company the present plan of compensation for transportation of the United States mails, which provides for a minimum rate of \$42.75 per mile per annum, is regarded as equitable, except that it is believed that in addition to the compensation now received the Government should remunerate the railroad company for the space devoted to the use of the mails in combination passenger, mail, baggage, and express cars, such compensation to be pro rata to the amount allowed for cars 40 feet in length used exclusively for the handling of the mails, as provided under section 1176 of information relative to transportation of mails by railroads issued by the Second Assistant Postmaster General.

Respectfully,

W. B. HAYES, *President.*

EAST BROAD TOP RAILROAD & COAL Co.,
Orbisonia, Pa., September 16, 1912.

Hon. JONATHAN BOURNE, Jr., *Chairman,*
Washington, D. C.

DEAR SIR: Your circular letter of September 11, regarding Senate bill 7371. I beg to submit the following answer to your questions:

1. The present plan of mail compensation so far as it relates to service performed by this company is equitable.

2. So far as short lines are concerned, operating under conditions similar to ours, the underlying principle of plan embodied in Senate bill 7371 is not equitable. It leaves railroads practically at the mercy of the Post Office Department. The department is privileged to demand whatever service and equipment it wants and pays whatever it pleases in the way of compensation.

No short line can afford to antagonize the department, and to combat their decisions may cost several years' earnings.

The idea of not allowing a railroad to judge whether they can afford to handle mail for compensation allowed can not be considered equitable.

The authority given the department to order mail-car service, particularly on short lines, may mean more of an outlay for equipment than revenue would amount to in five or six years, to say nothing of the expense of maintenance and continual transportation of a car that may not be needed.

3. This question is virtually answered by No. 1. Present plan is apparently all right for short lines, particularly when no mail-car service is required. The pouch system, which is the one in vogue here, gives satisfaction. Post offices have two mails from each direction every day and compensation is based on weight of mail handled.

Yours, truly,

EDWARD C. HALL,
General Manager.

FARMERS' GRAIN & SHIPPING Co.,
(DEVILS LAKE & NORTHERN R. R.),
Devils Lake, N. Dak., September 18, 1912.

DEAR SENATOR: This will acknowledge receipt of yours of the 11th inclosing copy of Senate bill 7371, and in reply to question No. 1 would say that I do not consider the present plan of compensation for carrying the mails as an equitable one as between the Government and short railroads, such as ours, which is but 66 miles long, mainly for the reason that we do not obtain sufficient compensation under this plan.

In answer to your second question, I object to the principle of your bill for the reason that I can not understand why Government service should be performed at actual cost any more than any other service, and furthermore for the reason that under the proposed payments for postal service established under this bill we would not get enough revenue to pay the cost of maintenance of the postal car aside from the cost of train service and the delivery of the mails.

I have before me a statement from the Post Office Department of the compensation we are to receive under this bill, and it shows that we are now receiving 70 per cent more than we would under your bill; at least this is the way the department has figured it. We are now receiving about \$10 per trip for supplying, maintaining, and hauling compartment car for a distance of 132 miles, delivering and receiving the mails at 10 different stations, where we have to pay our agents extra for this service, besides the wear and tear on the car, which has to be renewed every few years. From this you will see for yourself that if our compensation is reduced 70 per cent that the Government is forcing us to do something for next to nothing. As it is now we are performing the service at 40 per cent below cost, regardless of the department's figures, and we are doing so for the reason that we wish to accommodate our patrons and not for any profit in the business. Therefore I would seriously object to the last clause, on page 9 of the bill, which penalizes a railroad for refusing to carry the mails for such compensation, for I assure you we would positively refuse to carry this mail for any such compensation, and the Government would find it would cost them \$100 per trip when carried by team for the service we are now doing for \$10.

In reply to your third question I would say that the proper method of compensation for such railroads as ours would be for the Government to pay for the space occupied by the postal section of a car or a full postal car at the same

average rate of earnings as if occupied by express or passengers, and I fail to see why the Government should have a cheaper rate than anyone else. Under this method we would receive about 40 per cent more than we are now getting, which in our case would about pay the expenses of carrying the mails.

Very truly, yours,

JOS. M. KELLY, *President.*

Senator JONATHAN BOURNE,
Washington, D. C.

FORT SMITH & WESTERN RAILROAD CO.,
ST. LOUIS, EL RENO & WESTERN RAILWAY CO.,
Fort Smith, Ark., September 17, 1912.

Hon. JONATHAN BOURNE, Jr.,
Washington, D. C.

DEAR SIR: In response to your favor of September 11 regarding Senate bill No. 7371, beg to advise that the reply of Mr. W. E. Crane, our vice president, will include the views of this office regarding the subject.

Assuring you that the inquiry is highly appreciated, I remain, etc.,

Yours, very truly,

W. M. BUSHNELL, *General Manager.*

FORT SMITH & WESTERN RAILROAD CO.,
ST. LOUIS, EL RENO & WESTERN RAILWAY CO.,
St. Louis, Mo., September 18, 1912.

Mr. JONATHAN BOURNE, Jr.,
Washington, D. C.

DEAR SIR: With reference to your letter of September 11, inclosing bill S. 7371, I inclose herewith a copy of a letter received from Mr. W. M. Bushnell, our general manager, which will give you the views of the Fort Smith & Western Railroad Co. on this question. I trust that it may have your committee's serious consideration.

Yours, very truly,

W. E. CRANE,
Vice President.

FORT SMITH & WESTERN RAILROAD CO.,
ST. LOUIS, EL RENO & WESTERN RAILWAY CO.,
Fort Smith, Ark., September 17, 1912.

Mr. W. E. CRANE, *Vice President,*
St. Louis, Mo.

DEAR SIR: In response to your favor of September 14 regarding Senate bill 7371.

I beg to submit the following in reply to Mr. Jonathan Bourne, jr., inquiries 1, 2, and 3.

(1) I do not consider the present plan of compensation equitable, for the reason that the basis is an arbitrary one having no relation whatever to the cost of handling the business or of allowing the carrier a reasonable profit; or, in other words, a reasonable rate of interest on that proportion of the investment which we consider necessary in performing the service.

(2) The underlying principle embodied in Senate bill 7371 is defective, for the reason it proposes that the profit for handling the mails shall be 6 per cent of the cost of such service.

This railroad has an investment of over \$6,000,000, and it costs in round numbers \$600,000 per year to operate it. If the courts were to hold that a reasonable return on the investment was 6 per cent of the cost of operation, its maximum net earnings will then be about \$36,000 per annum, equivalent to a fraction over 1 per cent on the total investment.

(3) I believe the railroads desire a plan that will cover the cost of handling the mails plus a reasonable rate of interest on such part of the railroad as may be said is required to move the traffic.

In a letter written some time ago I reasoned that \$750 per mile was in our case a fair value upon which to base at 6 per cent our profit for carrying the mails. This valuation equals less than 2½ per cent of the investment and was

arrived at, by assuming that cost of operation was the proper basis for apportioning the cost of the railroad for rate-making purposes on passenger traffic, then subdivided the expense of handling passenger traffic between passenger, mail, and express upon a car-foot basis.

I am aware of the difficulty involved in reaching a satisfactory solution of this question, but I feel that the railroad as it stands to-day is just as necessary in its entirety for handling the United States mails as it is for any other class of traffic, and feel that the formula for apportioning the investment is fair.

I do not believe that the Government or any one, in fact, can with an investment of \$750 per mile provide as satisfactory facilities as we do for collecting and distributing the mail over this line.

As to House Document No. 105, there is very little criticism to offer, except with respect to that part of the Postmaster General's recommendation that the railroad's profit be based upon 6 per cent of the cost of operation. This proposition is wrong from every point of view and should be rejected by the railroads. What the roads should contend for is a return upon their investment.

Generally speaking, we agree with the formula adopted by the Postmaster General in ascertaining cost of handling the mails. In our particular instance the Postmaster General's figures show that during the month of November, 1909, the Fort Smith & Western handled the mails at a loss of \$177. Had the test been made in May or June of the same year, with the same formula, it would have shown a very much greater loss, and this loss did not include any margin above the actual cost of handling the business.

I believe if Congress would go into the matter thoroughly that a method could be found which will more nearly do justice to this road than the one in vogue at present.

Yours, truly,

W. M. BUSHNELL,
General Manager.

GALVESTON, HOUSTON & HENDERSON RAILROAD Co.,
New York, September 16, 1912.

HON. JONATHAN BOURNE, JR.,
Washington, D. C.

DEAR SIR: I have received your letter of the 11th instant in the matter of the compensation to be paid to railway companies for transportation of the mails. It will give me pleasure to reply to your inquiry a little later.

Yours, truly,

J. N. WALLACE, *President.*

HOOSAC TUNNEL & WILMINGTON RAILROAD Co.,
Malone, N. Y., September 30, 1912.

HON. JONATHAN BOURNE, JR.,
Washington, D. C.

SIR: Yours of the 11th, inclosing copy of Senate bill 7371, relative to compensation to railroads for carrying the mails, and asking my answer to three questions therein propounded, is received.

First. To the first question I answer no. It is not fair to short-line railroads, whose compensation under the existing methods is wholly inadequate, arbitrary, and inequitable.

Second. To the second question I answer no. It attempts to confer on the Postmaster General the power to determine the compensation for the performance of a service by a company, where his interest is, by virtue of his office, to be exerted in behalf of the Government, and he is interested, and should be, in maintaining as low a cost of transportation as he can. It is like proposing that one party to a contract shall have power to dictate its terms and then fining the other party if he does not comply with them. It is against all moral sense of justice and equity, and the method of appeal to the Interstate Commerce Commission is not only likewise partial but burdensome and expensive, especially to short-line railroads, that can not afford to keep a corps of lawyers, engineers, statisticians, etc., to appear before the commission; and the commission's employees are partial and have no responsibility except to the Government, and can not know the different conditions that affect different railroads on the subject of cost, and have no interest for the railroad companies.

Your steel-car clauses may be well enough for trunk lines, but there are hundreds of short-line railroads that can not afford or operate steel cars. The bill attempts to confer too drastic and sweeping powers on the Postmaster General, and its constitutionality may well be questioned. In fact, the whole bill seems to be inequitable, drastic, and socialistic.

Third. To the third question I answer: There is no reason why the Government should not pay railroad companies the same price individuals pay for like service. A railroad company, being acquainted with its expenses of operation, can determine at what price per hundred pounds it will transport the mails, furnish cars, etc., and if the Postmaster General is not content with them, then let him do as any other shipper may—appeal to the commission, State or national, from whose decision an appeal to court should be allowed. Such a method would be more equitable and make it usually a matter of contract, as it should be. We must assume the office of Postmaster General will look after the interests of the Government and the railroad company will look after its own interest, and from that a more equitable situation will result than through the drastic and socialistic methods proposed by this bill.

Hoping I have fully answered your inquiry, I am,

Very truly, yours,

J. P. KELLAS.

IDAHO SOUTHERN RAILROAD CO.,
MILNER, Idaho, November 2, 1912.

JONATHAN BOURNE, Esq.,
Washington, D. C.

SIR: Replying to yours of September 11, relative above numbered bill, in reply to question 1, would say that I consider the present plan is equitable between this company and the Government. I have no figures as to other classes of railroads, and am, therefore, not competent to offer any opinion. Question 2: I consider the underlying principle of the plan embodied in the above bill the proper basis for compensation, so far as this company is concerned, but I believe that whenever additional service is asked for compensation should be allowed for same. Question 3: I know of no more desirable plan than the one proposed, with the exception as noted in reply to question 2.

Yours, truly,

D. C. MACWATERS,
Vice President and General Manager.

KAHULUI RAILROAD CO.,
Kahului, Hawaii, October 15, 1912.

HON. JONATHAN BOURNE, JR.,
Washington, D. C.

DEAR SIR: Your letter to Mr. Joseph P. Cooke, treasurer of the Kahului Railroad Co., dated September 11, 1912, has been handed us for acknowledgment.

We have given careful attention to the copy of Senate bill 7371 introduced by you, and embodying a plan recommended by the Post Office Department for determining the compensation to be paid to railroad companies for the transportation of the mails, and in reply to your questions would say that while we have no complaint to make as to the present plan of compensation which this railroad receives from the Government, we do think that the underlying principle of the plan embodied in the proposed bill is a proper basis for compensation.

Yours, very truly,

KAHULUI RAILROAD COMPANY,
J. N. S. WILLIAMS, Superintendent.

KANSAS SOUTHWESTERN RAILWAY CO.,
Arkansas City, Kans., September 21, 1912.

HON. JONATHAN BOURNE, JR., Chairman,
Washington, D. C.

DEAR SIR: Your letter of the 11th inclosing copy of Senate bill 7371, and asking for expression of opinion to three questions.

It has been some time since I was familiar with the details of this subject, and in order that I may reply intelligently, it will be necessary to go over previous reports and House House docket No. 105 before making reply.

If after doing so I feel that I can give you any information, will gladly write you in reply to your interrogations.

Yours, truly,

E. L. KINGSBURY.

KEWEENAW CENTRAL RAILROAD CO.,
Duluth, Minn., October 17, 1912.

HON. JONATHAN BOURNE, JR.,
Washington, D. C.

MY DEAR SIR: I beg to acknowledge receipt of your circular letter of the 11th ultimo, inclosing a copy of Senate bill No. 7371, as therein stated. I have carefully considered the proposed bill embodying the plan recommended by the Post Office Department for determining the compensation to be paid to railway companies for transportation of the mails, and, complying with your request, beg leave to answer the questions of your letter as follows:

1. I do not consider the present plan of compensation altogether an equitable one as between the Government and the railroads. It is my understanding that the railroads are now unduly burdened with heavy expense in building and equipping mail cars required to meet the increasing demands and exacting conditions imposed by the Post Office Department for safety, etc., and the comfort and convenience of messengers, and that in consequence the railroads' expenses incident to the mail service are increasing out of all proportion to the revenues earned.

Also, under the present plan the minimum compensation allowed is too small for newly constructed lines struggling for existence in sparsely settled districts or in territory that is not largely enough populated to bring the mail weights above the minimum.

2. The principle embodied in the proposed bill is not a proper basis for compensation, for the reason, among others, that it is absolutely impossible to determine the cost of transportation of any particular class of freight or people. The plan adopted by the Postmaster General and recommended in said bill for arriving at the cost to the railroads of handling the mails would produce an illogical and distorted result. It is impossible to determine with any degree of accuracy the actual cost of the particular service, and the same plan here proposed applied to all the business of the railroads would, in my judgment, promptly reduce them to bankruptcy.

3. While the present plan of compensation may now be more nearly equitable to the large lines, it will not be equitable even to them in the near future when steel equipment throughout is demanded by the Post Office Department. Considering, among other things, the efficiency of the service required by the Government and the public, and now furnished by the railroads, the rates of payment should be increased and not reduced, and the minimum should be considerably increased.

4. Since the 1st instant the Keweenaw Central Railroad Co. has been carrying 14 pouches a day, and is only receiving for transporting the mails \$1,192.02 per annum. If the proposed bill should become the law, and assuming that we were allowed the minimum compensation provided thereby of \$25 per mile for the length of our line from Calumet, Mich., to Mandan, Mich. (28.1 miles), we would only receive for this service \$702.50 per annum. This company is now operating passenger trains at a loss for the convenience of the few residents of Keweenaw and to enable them to receive regular mail service. Further reductions in the compensation as contemplated by this bill would undoubtedly make it necessary for this company to abandon its passenger service.

5. I desire to protest earnestly against the enactment of any such legislation as proposed, on the grounds that it will be impossible to ascertain the cost of the service as proposed; that the railroads will not be able to carry the mails under it except at a loss; that such a law will materially handicap new roads and the smaller lines like ours, and especially those serving sparsely populated districts; and, in general, that the necessary effect of any such legislation will be to impair the present efficiency and high standards of the entire Railway Mail Service of the country and be greatly detrimental to the public and all concerned.

Respectfully,

T. F. COLE, *President.*

KUSHEQUA ROUTE,
MOUNT JEWETT, KINZUA & RITERSVILLE RAILROAD,
KUSHEQUA RAILROAD, MEAD RUN RAILROAD, SMETHPORT RAILROAD,
Kushequa, Pa., September 23, 1912.

HON. JONATHAN BOURNE, JR.,
United States Senate, Washington, D. C.

DEAR SIR: Thanking you for your favor of the 11th instant, inclosing copy of Senate bill 7371, I have examined same and wish to reply to your three questions as follows:

1. I do not consider the present plan of compensation an equitable one. It is inequitable in that it practically compensates as liberally those railroads which, passing through thickly settled regions, have abundant earnings and frequent profitable passenger trains, so that they are put to very little expense for transportation of mails; and those railroads which, passing through sparsely settled regions, perform passenger and mail service at a loss to themselves, but as necessary to the existence of the communities along their lines. It is unfair to require free delivery by the railroad companies to terminal post offices regardless of distance. In our case, the delivery from our terminal stations to terminal post offices costs us nearly half as much as the total amount we receive for carrying the mails.

2. The underlying principles which I observe in the proposed bill, i. e., ascertainment of costs by Postmaster General with appeal to the Interstate Commerce Commission and more frequent adjustment of the rate of compensation would be a desirable improvement. The principle of the bill is defective in that it does not indicate the bases upon which the Postmaster General shall compute cost. It is also defective in not providing for compensation for carrying of pouched mails. In the case of our road, for instance, all mails are carried in mail pouches in the baggage compartment of our combination coach, there being no separate car or portion of car devoted exclusively to mail service. I am pleased with that feature of the bill which takes the frequency of train service into consideration. I think that it is a mistake to make so low a minimum rate of compensation as "not exceeding \$25 per mile." In the case of short lines of road this would be a great hardship.

3. A desirable plan for compensating for transporting the mails would be power on the part of the Postmaster General, subject to appeal to Interstate Commerce Commission, and in accordance with well defined rules, to ascertain both the cost and the value of the service rendered and base compensation accordingly. Among the rules for the guidance of the Postmaster General one should take into consideration the loss or profit of the train service on which the mails were carried; another, the length of line and cost of delivery of mails at stations and termini; another the relation between the net weight of mail matter transported and the gross weight inclusive of pouches and cars or parts of cars transported for the purpose of carrying the mails. This latter would form a very practicable method of increasing the compensation in accordance with the needs of railroads passing through sparsely settled districts and yet endeavoring to give good service; for in such cases mails might consist of a few letters only to the pouch and many pouches, or of a mail car or mail compartment in a car transported through a long stretch of country which provided very little mail matter. Between large cities, where there is much mail to be transported, the passenger traffic in the trains is apt to be profitable, so that the compensation for carrying the mails is practically surplus profit. And between such cities there is usually one or more competing lines, any one of which could transport practically all the mail at a competing rate if allowed to bid for it. There is a case on our road where the contents of one mail pouch does not average more than one letter per day, and yet the prompt transportation of that one letter is almost vital to the success of the industries on which the busiest community on the line of railroad depends. The letter in question transports the day's remittances to bank and arrangements with that bank to provide for the day's requirements.

I realize that you are a very busy man; but have endeavored to reply as intelligently as possible to the questions in your letter.

Yours, respectfully,

ELISHA K. KANE, *President.*

LAKE SUPERIOR & ISHPEMING RAILWAY CO.,
MUNISING, MARQUETTE & SOUTHEASTERN RAILWAY CO.,
Marquette, Mich., October 12, 1912.

Hon. JONATHAN BOURNE, Jr.,
Washington, D. C.

DEAR SIR: Replying to yours of September 11 relative to Senate bill 7371, introduced by you by direction of the Senate Committee on Post Offices and Post Roads, I have to say that we have been furnished with a copy of the reply forwarded by the committee on railway mail pay and we fully indorse the position taken by that committee.

We believe that the short railroad should receive more than ordinary consideration on account of running through a sparsely settled country where the mail carried per mile is much lower than the average and the present rate of remuneration is not too high.

Up to July 1, 1911, the Marquette & Southeastern Railway and the Munising Railway were two separate corporations, but were consolidated under the name of the Munising, Marquette & Southeastern on the above date.

Document No. 105 shows the following results:

Marquette & Southeastern, gain in mail revenue for one month-----	\$134. 01
Munising Railway, loss in mail revenue for one month-----	124. 87

Net gain, Munising, Marquette & Southeastern Ry-----	9. 14
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And this compilation does not take into account the investment in one extra compartment car which we must keep in reserve for emergencies.

As the reply forwarded by the committee on railway mail pay goes into all matters in general, I will not touch on any of the details of a short-line railroad except as above stated, that due consideration should be given to that service as being different from service performed by other railroads.

Yours, truly,

H. R. HARRIS, *General Manager.*

LANCASTER & CHESTER RAILWAY CO.,
Lancaster, S. C., October 2, 1912.

Hon. JONATHAN BOURNE, Jr.,
Washington, D. C.

DEAR SIR: Replying to your letter of the 11th I am inclosing you a letter that I recently wrote to the Assistant Postmaster General, at Washington, regarding the compensation allowed the Lancaster & Chester Railroad Co. for hauling mail and mail car. This will fully explain our position. I contend that it is not fair to put short-line railroads on the weighing basis owing to the fact that they are generally run from one important town to another, and when main lines of railroad are running through both of these towns they only get to haul local mail, getting no through mail, while they have to perform all the services required by the Government. The compensation allowed short lines is arbitrary, unjust, and unfair. In my opinion the compensation should be allowed on a basis of the service rendered irrespective of the amount hauled, except on main lines.

This rule applies as regards rural mail carriers and I can see no reason why short-line railroads should be arbitrarily required to render the service on a basis that is not remunerative. Thanking you for your inquiry, I am,

Yours, very truly,

LEROY SPRINGS, *President*

SEPTEMBER 13, 1912.

Hon. JOSEPH STEWART,
Second Assistant Postmaster General, Washington, D. C.

DEAR SIR: Effective July 1 you changed your method of determining compensation for the handling of mail by the Lancaster & Chester Railway Co., which operates between this point and Chester, S. C., and of which I am president. This cuts our remuneration down to about \$1,000. It is necessary that we furnish a mail car to conform to your rules and regulations and also give free transportation to your mail clerk, and the amount you now propose to pay us

not only does not allow any rent for the car we supply but pays us scarcely 2 cents a mile for hauling your clerk. I do not think the Government ought to expect a short-line railroad to perform this service without fair remuneration, and I do not believe you realize the imposition on our railroad under the circumstances.

Do you realize that you are requiring us to give you regulation service on trains twice each day between here and Chester for a sum less than you pay one of your rural carriers per annum? I do not question that the expense entailed in transporting mail between Lancaster & Chester nets the Government a loss, but the service has to be performed just as in the case of unprofitable R. F. D. routes, but in your case you have other lines which are profitable and which counterbalance this loss. In our case our only source of revenue from the Government is in handling this mail, and just because the line is not profitable to the Government is no reason to my mind why you should ask it to be unprofitable to us.

If the service were performed by rural carriers it would be at an expense three or four times as great as at present and the service would be from three to five hours later. If we transported through mail between these two points our income would be considerable and enough to pay us for the facilities we supply, but in view of the fact that the trunk lines reach both Chester and Lancaster ahead of our line the only through mail we handle is for intermediate points, which is of little consequence.

Under the ruling of the United States Supreme Court we understand it is optional whether we perform this service or not, and unless you can arrange to give us a fair income for the service we are performing we must in fairness to ourselves decline to continue handling mail. We therefore respectfully serve notice on you now that from this date until a satisfactory adjustment of this subject is reached we handle all mail of the Lancaster & Chester Railway Co. under protest. It is not the fault of this road that the mail is not of greater volume, and the service we render is just the same as if it were ten times as great, and we could handle ten times as great volume at absolutely no additional expense over our present cost.

I trust you understand the spirit in which I have placed this subject before you. We have no desire to be in the least arbitrary, but it is simply an injustice to our railroad that we should have to perform a service at a loss which should show a fair income for the trouble and expense we are put to. Our Congressman, Mr. D. E. Finley, who is a member of the Post Office Committee, is familiar with the situation, and if you wish further information upon the subject I suggest that you take it up with him.

We trust you will handle this with promptness, so that we may have it satisfactorily adjusted at no distant date.

Yours, very truly,

LEROY SPRINGS, *President.*

LEAVENWORTH & TOPEKA RAILWAY CO.,
Emporia, Kans., October 22, 1912.

HON. JONATHAN BOURNE, Jr.,
Washington, D. C.

DEAR SIR: Yours of September 11, inclosing copy of Senate bill 7371.

As the Leavenworth & Topeka Railway Co. is being operated by the Atchison, Topeka & Santa Fe Railroad Co. I take it that Vice President George T. Nicholson's letter of October 17 to you on the subject will give you the information called for in your letter of September 11.

Yours, truly,

C. T. McLELLAN, *President.*

LOBAMA RAILROAD CO.,
Pennsboro, W. Va., September 14, 1912.

HON. JONATHAN BOURNE,
Washington, D. C.

MY DEAR SIR: I beg to acknowledge receipt of copy of your Senate bill 7371, which you were so kind to send me.

To be frank with you, I must say that I would be very sorry to see this bill become a law. It would work a great hardship on all small roads to compel them to perform a task at a loss of money. This being in violation of the spirit of the Constitution the courts would relieve, but the expense of defense would work loss anyway.

We have operated 9 miles of narrow-gauge road for years over which the United States mail is carried for a very significant sum, if one did not care what he said. We carry it for \$40.28 per month. We pay \$5 per month for delivery to post office, which leaves us \$35.28 per month, to say nothing of the fines and reductions. In the last three years we have extended this road 5 miles to town of Pullman, and we refused to carry the mail over this part of road because of the poor pay. The Government offered us \$20.83 per month and we would have to pay \$15 per month to make delivery from depot to post office, which would leave \$5.83. We refused and did and do not carry over this part of road. We would get, if we carried mail, clear \$41.11 per month for carrying mail four times a day 14 miles, while a rural carrier gets \$75 per month for carrying once a day on a mule.

The small roads should be excepted from your bill. I believe you will, because in your effort to benefit the Nation you would not confiscate any citizen's property. Would you?

Truly, yours,

M. K. DUTY,
President Larama Railroad Co.

LOUISVILLE & NASHVILLE RAILROAD CO.,
Louisville, Ky., December 30, 1912.

HON. JONATHAN BOURNE, JR.,
Washington, D. C.

MY DEAR SIR: Your favor of September 11, 1912, relative to the compensation to be paid to railroad companies for transportation of the mails, in which you made certain inquiries in regard to the present plan and the plan recommended by the Post Office Department, was duly received.

Inasmuch as the committee on railway mail pay, representing 214,275 miles of railway in the United States, operated by 268 companies, prepared and submitted a comprehensive statement containing facts and figures going to show that the present compensation does not equal the operating expenses incident to the transportation of the mails, and, therefore, leaves nothing for return upon the value of the property employed, I concluded that it would be best to subscribe to the statements of the committee and not inflict a lengthy independent argument upon you.

I heartily indorse the statement of the committee as set forth in the pamphlet entitled, "Mail Carrying Railways Underpaid," believing it to be an absolutely accurate presentation of the fact that the present system is grossly unfair to the railroads.

It has occurred to me, however, that you might be interested in the facts and figures concerning specific cases on this company's lines where the existing laws or the Post Office Department's methods of applying them result in inequity. I therefore inclose herewith memoranda as follows:

1. Cost of handling mail to and from post offices at various points.
2. Mail compensation earned by mail apartments July 1, 1902, to June 30, 1912.

3. The effect of quadrennial mail weighings and adjustments of mail pay as compared with annual adjustments.

The compensation of the Louisville & Nashville Railroad Co. was last fixed for the quadrennial period commencing July 1, 1912. The tonnage of mail matter will be enormously increased on the 1st proximo when the parcel post will be inaugurated. The weight will gradually increase as the parcel post grows in favor, as will undoubtedly be the case. It follows, therefore, that unless Congress comes to our relief we will be called upon to perform a very great and valuable service for a period of three and one-half years without any compensation. Under conditions such as have existed heretofore the quadrennial basis is manifestly inequitable, because the measurement of the compensation wholly disregards the normal annual increase which is inevitable, but under the burden of the parcel post this inequity will be greatly multiplied.

The result of the recent weighing on the Louisville & Nashville Railroad for 54 of our 59 mail routes was as follows:

Pay per annum June 30, 1912-----	\$759,943. 22
Pay per annum July 1, 1912-----	801,626. 71
Increase per annum-----	41,683. 49

Based upon the reasonable assumption that the increase in the amount of mail handled was fairly regular during the last four years, annual weighings and readjustments of pay would have resulted in our receiving one-fourth of the increased rate now shown, or \$10,420.87, for three years; another one-fourth for two years, and another one-fourth for one year, making a total of \$62,525.22; but, under the quadrennial arrangement, we carried the increased amount of mail up to June 30, 1912, without receiving 1 cent additional compensation. You can readily appreciate what an injustice will be imposed upon the Louisville & Nashville Railroad Co. during the next three and one-half years if it is not allowed adequate additional compensation for the large volume of parcel post matter.

If the above should suggest any inquiries I shall be pleased to answer the same.

Yours, truly,

M. H. SMITH, Jr., *President.*

MEMORANDUM AS TO COST OF HANDLING MAIL TO AND FROM POST OFFICES AT VARIOUS POINTS.

At Pensacola, Fla., the distance between the station and post office, 0.73 of a mile, is included in and paid for as a part of two routes, because it is a terminal of those routes. On route No. 123003, Pensacola and Flomaton, the amount of compensation is \$92.87 per annum, being at the rate of \$127.22 per mile for 0.73 mile. On route No. 123015, Pensacola and River Junction, the amount of compensation for the service between the station and post office at Pensacola is \$82.88 per annum, being at the rate of \$113.54 per mile for 0.73 mile. The total of these two amounts is \$175.75. As the amount of mail is quite large and there are quite a number of trains to be met, for some of which two trips have to be made, bringing advance mail and final dispatch from the post office, it is necessary to have first-class wagon service. This work is let by tender, and we are now paying \$75 per month, or \$900 per annum, for the service, so that we actually lose \$724.25 on that part of the mail routes.

At Columbia, Tenn., on route No. 127017, Columbia and Sheffield, we receive for the terminal service between the station and the post office \$44.12, being at the rate of \$73.53 per mile for 0.6 mile. It costs us \$120 per year to have the service performed.

At Frankfort, Ky., on route No. 129050, we receive \$22.44 per annum for the terminal service, being at the rate of \$64.12 per mile for 0.35 mile. The service costs us \$96.

At Gallatin, Tenn., on route No. 127026, we receive for terminal service \$20.33 per annum, being at the rate of \$52.15 per mile for 0.39 mile. It costs us \$180 to have the service performed.

At McLeansboro, Ill., on route No. 135078, we receive for the terminal service \$20.94, being \$42.75 per mile for 0.49 mile. The service costs us \$84 per annum. At this point a condition prevails which looks ridiculous, but is not uncommon under the postal regulations. While this company is responsible for the handling of mail between the post office and trains on route No. 135078, the Post Office Department has to pay for the handling of the mail to and from the trains on route No. 135032, East St. Louis and Evansville, because McLeansboro is an intermediate point on that route, and the post office is located more than 80 rods from the station. The fact that the Government employs the mail messenger at that point enables us to make contract with the same man at a comparatively small figure; but, even at this, the service costs us more than four times the amount received. Among the junction points where similar conditions prevail are Frankfort, Columbia, and Gallatin, shown in preceding paragraphs.

At Scottsville, Ky., on route No. 127026, we receive for the terminal service \$23.46 per annum, and it costs us \$144.

At Adairville, Ky., on route No. 129014, we receive for the terminal service \$31.60, and it costs us \$96.

Paris, Ky., is an intermediate point on routes 129002 and 129015; but as the distance between the station and post office is slightly less than 80 rods, we are responsible for the handling of the mail to and from the post office. As the mail is heavy and there are a great many trips, wagon service has to be provided, and the smallest amount for which we could get a contractor to undertake this work was \$480 per annum. Of course we get no compensation directly for this service, as the side distance to the post office is not included in the length of the

route. If the post office was about 70 yards farther away, this service would have to be provided for by the Post Office Department, and we would not suffer any reduction in revenue, but would save the \$480 per annum.

Other instances might be given, but the above ought to be sufficient to emphasize the arguments that the performance of terminal and side-messenger service is not a reasonable requirement, and that if the carriers are required to perform such service it should be paid for at rates much higher than is paid for transportation on trains.

MEMORANDUM ILLUSTRATING THE EFFECT OF QUADRENNIAL MAIL WEIGHINGS AND ADJUSTMENTS OF MAIL PAY, AS COMPARED WITH ANNUAL ADJUSTMENTS.

Complete figures are not at present available showing the results of the mail weighing this year on the larger portion of the Louisville & Nashville system, and the Post Office Department has succeeded, by economical methods in connection with mail-bag equipment and in other ways, in holding down the amount of mail, so that it seems unlikely that any very great increase will be shown over the figures of 1908.

The adjustment effective July 1, 1908, under which we have been working up to June 30, 1912, showed a net increase on the routes weighed of \$12,618.70 per annum, as compared with the rates in effect prior to that time. This was a very small percentage of increase as compared with increases shown in previous quadrennial periods, because the department had already commenced to apply its economical methods, and, by the Postmaster General's order No. 412, changing the divisor from six to seven days per week in arriving at the average weight carried, had succeeded in reducing the compensation about one-seventh.

It is only reasonable to assume that the increase in the amount of mail which justified the increase in pay of \$12,618.70 per annum, took place gradually during the four years intervening between the weighing in 1904 and the weighing in 1908, or, say, about one-quarter of the increase in each year, so that, if we had had annual weighings and adjustments instead of quadrennial, the increase in pay at the beginning of the second year—July 1, 1905—would have been \$3,154.67, which we would have received for three years. At the beginning of the third year—July 1, 1906—there would have been a further increase of \$3,154.67, which we would have received for two years, and at the beginning of the fourth year—July 1, 1907—a further increase of \$3,154.67 for that year. In other words, we would have received \$18,928.05 for carrying an increased amount of mail each year, but which, under the quadrennial weighing system, we actually carried for nothing.

MEMORANDUM SHOWING MAIL COMPENSATION EARNED BY MAIL APARTMENTS, JULY 1, 1908, TO JUNE 30, 1912.

All the following statements with reference to the amount of compensation credited to particular trains are based directly on statistics furnished by the Post Office Department and may be easily verified. They refer throughout to the quadrennial contract period of 1908-1912, because similar figures are not yet available for the adjustment which is now being made, effective July 1, 1912.

Route 129004, Cincinnati and Nashville.—Train 10, Bowling Green to Louisville. On September 12, 1904, the Railway Mail Service people called for a mail apartment for this run not less than 16 feet long. The results of the mail weighing of 1908 showed that train No. 10 carried only 0.41 per cent (0.41 of 1 per cent) of the total weight carried over the route, which made the compensation \$1.81 per trip. There is no postal clerk service in this car southbound on No. 9, but a small amount of mail is handled by our baggage-master. However, this amount of mail was so small that in the percentage sheets furnished by the Post Office Department it was disregarded entirely, and no compensation whatever credited to train No. 9. Therefore we have for some years been handling what is practically one-third of a car, fitted up as a traveling post office, with mail and the postal clerk, from Bowling Green to Louisville for 1½ cents per mile run, or less than the fare of the clerk would amount to, and so much less than one-third of the average cost of maintaining and hauling the car in a passenger train that such a comparison is ridiculous. As we have to handle the apartment southbound without any compensation, we really only get about three-fourths of a cent per mile for the service.

Route 129008, Memphis Junction and Memphis.—Train 109, between Bowling Green and Clarksville, carries only 0.63 per cent of the total mail on the route, which makes the compensation for that train only \$1.25 per trip. The corresponding figures for train 110 are 0.41 per cent of the total weight; compensation, 81 cents per trip. We handle a mail apartment 18 feet 6½ inches long, with equipment, mail, and one of two postal clerks, at an average rate of 1.74 cents per mile for the round trip.

For train 107, from Paris to Memphis, the corresponding figures are 0.67 per cent of total weight; compensation, \$1.33 per trip. Train 108, Memphis to Paris, 0.87 per cent of total weight; compensation, \$1.72 per trip. The mail apartment is 11 feet long, and the average pay for round trip is 1.17 cents per mile. Train 106, Memphis to Milan, handles only 0.25 per cent of the total mail on route, which makes the compensation only 58 cents per trip, or 6 mills per mile. There is no postal clerk service in this apartment southbound.

Route 127006, Nashville and Montgomery.—Train No. 5, Decatur to Birmingham, carries 0.37 per cent of total weight; pay per trip, 80 cents. Train No. 6, Birmingham to Decatur, carries 0.78 per cent of total weight; pay per trip, \$1.70. The pay for the 12 foot 8 inch apartment for the round trip is 1.45 cents per mile run.

Route 129059 and route 129031.—Trains 69, 70, 41, and 46, making round trip between Evansville, Earlinton, and Providence, a total of 148.76 miles, earned only \$1.68, or 1.13 cents per mile run, or less than half fare of the postal clerk when traveling on duty. It should be noted that this postal-clerk service has recently been discontinued.

Numerous other instances might be given in detail where the total mail compensation earned by small mail apartments figured out less per mile run than the fare of the clerk or clerks traveling in such apartments. In addition to carrying the clerks while on duty we have to carry them as passengers to and from their homes without compensation and have to assume full responsibility for any injuries received while on our trains.

LINEA FERREA DEL OESTE,
San Juan, P. R., September 23, 1912.

HON. JONATHAN BOURNE, Jr.,
Washington, D. C.

MY DEAR SIR: In reply to your letter of September 11, I beg to state that your mail is carried over this route by a ferryboat and a train.

No other company runs its trains over our tracks and only one crossing is made, near Bayamon, with the tracks of the American Railroad. The post offices are located nearer to the railroad station than to any other point on the track.

In regard to your three questions, I beg to answer them as follows:

1. I think the plan of compensation is equitable, though considering the small amount of mail carried in this country, 6 per cent profit on the expenses is comparatively small.

2. I think the underlying principle of the plan is on proper basis for compensation. I, however, believe that as far as fines for lack of equipment is concerned, the Postmaster General should not be as strict as with railroads in the States, where purchasing facilities are at hand.

Very respectfully, yours,

R. VALDES.

LONG ISLAND RAILROAD Co.,
New York, November 15, 1912.

HON. JONATHAN BOURNE, Jr.,
Washington, D. C.

MY DEAR SENATOR: The Long Island Railroad is a good illustration of underpayment for carrying the United States mails, and I will, therefore, submit some of the facts as briefly as possible with the purpose of helping your committee to understand why the existing laws are inadequate to do justice and of suggesting the direction in which remedial measures should be applied. The Post Office Department, in Document No. 105, states that in November, 1909, the company's revenues for carrying the mails were about 28 per cent below the mere cost of operation and taxes, and if the Post Office Department had extended its estimate to include fixed charges, it could have conceded a loss to the railroad of over 80 per cent. The company's calculation on the same data revealed a greater loss, about 200 per cent., or about \$85,000 a year.

EXTENT AND CHARACTER OF MAIL SERVICE.

Long Island, as you know, is a section of New York State, extending from New York City to Montauk Point, about 125 miles long, 15 to 22 miles wide, and has a population of over 2,000,000 people. The Long Island Railroad is practically the only transportation agency and, therefore, carries all of the United States mails for the entire section.

The mail service on the Long Island Railroad includes the following :

Number of mail routes.....	12
Total length of mail routes..... miles..	344
Post offices supplied.....	183
Railway post-office trains daily.....	38
Total mail trains daily.....	254
Total of average weights of mail daily..... pounds..	16, 028
Annual pay received in 1911.....	\$43, 949

In addition to the transportation of the mail on over 250 trains daily, it will be noticed that the company furnishes railway post offices in mail apartments (15 to 30 feet in length) on 38 trains daily. It also provides extensive space in the Long Island City terminal for post-office work, without rent, carries the mail between the trains and the post offices at many stations, carries a large number of railway postal clerks and postal officials free, and performs other incidental services.

We are required to furnish a special electric baggage car to move the mails between Long Island City and the publishing house of Doubleday, Page & Co., at Garden City, a distance of 20 miles. This movement amounts to several thousand pounds a day, but the railroad company receives absolutely nothing for performing this service, because it was inaugurated after the weighing of 1906.

HIGH QUALITY OF THE SERVICE IGNORED.

If we divide the annual mail pay (\$43,949) by 365 days and then again by 344 miles, we find that the company receives about 35 cents a day per mile of road for carrying an average daily weight of mail of 16,000 pounds, or 8 tons. If all of the 12 mail routes were in one straight line, 344 miles in length, and if the daily weight (8 tons) were carried on one train, compactly loaded like freight, the rate of pay would be moderately remunerative if the work was merely the transportation of the load and did not include the other services described above.

Further, if the company operated only one train a day each way and the Post Office Department refrained from calling for extra car space for railway post offices, thus permitting the whole mail to be consolidated within one car or less, the pay of the company under the present law would be the same as at present. The very life and efficiency of the postal service depends upon expedition, in which frequency of transmission is a very large factor; yet the 254 daily mail trains (varying on the different routes from 5 trains daily to 74 trains daily) obtain no particular recognition in the law. The frequency of service is, however, a substantial factor in the cost of doing the work, because the load to be carried is divided into retail lots with consequent increase of expense.

The present terminal of mail-car runs is Long Island City, which involves wagon service via Thirty-fourth Street Ferry, with greatly increased cost and delay.

With the completion of the new post office at the Pennsylvania Station in New York City, this company can extend its mail routes direct to the post office, making that the terminal for all mail-car routes, greatly expediting the movement and eliminating the cost of wagon service. But we must be paid for this service on a proper basis instead of the miserable sum of \$600 offered by the Post Office Department for a high-class service of 10 steel mail apartment cars per day through the East River tunnels to the \$50,000,000 station in the heart of New York, where it costs us for electricity, wages, and ordinary expense over \$2 for every car moved into and out of the terminal, without adding for rent and taxes. We should have at least \$15,000 per annum for making the new post office the terminal of the Long Island mail service, in addition to pay for handling mail via new electric routes at the usual rates for service of that kind. This matter is one now under discussion with the Post Office Department. The local officials of the department recognize the great benefits which the department will secure through the operation to the Pennsylvania terminal, and agree

that the railroad company must be paid for it; but the regulations of the department are so narrow and unfair that it seems impossible for us to get together. The public suffers through such conditions, and the department is unable to take advantage of the new facilities.

MAXIMUM FACILITIES FOR MINIMUM PAY.

The geographical situation of Long Island with the Long Island Sound on the north and the Atlantic Ocean on the east and south, accounts for the fact that the heavy load of mail starts from the western terminal at New York City and rapidly diminishes as it travels eastward to the vanishing point. Similarly, going westward there is naturally only a moderate accumulation of mail until trains near the metropolitan district. Therefore, the facilities, and especially car space, must be reserved and set aside for the maximum load of the heaviest season, while the law prescribes payment for the average weight carried. The average is a very lean average; first, because of the geographical conditions noted above; second, because the Post Office Department selects a period for weighing believed to be below the normal for this road; third, because since 1907 the Post Office Department includes Sundays in the computation, although very little service is required or performed on our line on Sundays, instead of confining the test period to working days, as stated in the law; and fourth, because the average weight when determined is kept stationary for four years, regardless of any increased business accumulating in the meantime.

RAILWAY POST OFFICES—SORTING MAIL EN ROUTE.

It surprises one after he takes up the study of the subject of the transportation of mails to discover that the transportation has been superseded in relative importance by the traveling post offices carried over the road several times daily, in which railway postal clerks open the mails and do a general post-office business. It was suggested above that the entire daily load of 8 tons could be economically transported in half of one car on one train so far as the weight is concerned. In contrast with this please note the fact that the Post Office Department uses 38 railway post offices daily on our line, in which the car space devoted to the mails aggregate about 800 linear feet, or the equivalent of 13 full cars 60 feet in length. The law of 1873 prescribes a rate of pay for a certain average daily weight on the condition that the mails are carried with "due frequency and speed," and that suitable and sufficient room, fixtures, and furniture in a car or any apartment properly lighted and warmed shall be provided for route agents to accompany and distribute the mails. Since then the distribution en route has greatly increased, and there is no limitation restricting the Postmaster General as to frequency of service or the size and number of apartments. The car space for railway post offices can easily be recognized as the main factor at present on our lines, while the weight of mail transported is an uncertain and inadequate measure upon which the pay is based, but holding a very inferior relation to the car space demanded by the Post Office Department or provided by the railroad company.

THE PAY RELATIVELY LESS FROM YEAR TO YEAR.

During the past 15 years the wealth and commerce of the country and all business activities have increased to a remarkable extent. The same can be said of all branches of the Long Island Railroad business except the mail pay. In 1897 the annual rate of mail pay was \$40,982.40, and in 1911 it was \$43,949, an increase of less than 8 per cent in 14 years. In the same period the other items of Long Island Railroad business increased as follows:

	Per cent.
Earnings from passenger service-----	209
Earnings from freight service-----	178
Earnings from express service-----	201
Operating expenses-----	219
Taxes-----	235
Fixed charges-----	210

It is not necessary to comment on this obvious disparity, except to say that we estimate that the apartment-car space devoted to railway post-office purposes increased about 100 per cent during this period, while the mail pay was raised only 8 per cent. It can be conservatively claimed that the accumulated shortage in our mail pay for the period of 14 years was over a million dollars.

CONCLUSION.

The remedial amendments to the present laws suggested in the response to you from the committee on railway mail pay are indorsed by our own experience and study. Pay for mail-apartment cars is the principal need for the Long Island Railroad, if the other provisions of the laws remained unchanged. An allowance for the side messenger service and terminal messenger service performed by the company would be only equitable. Annual weightings of mails with annual readjustments of pay are vitally important for many railroads, and are indispensable to all now that the parcel post is about to be established.

If the deficit in our mail pay as compared with operating cost and taxes as ascertained in November, 1909, be expanded to include an allowance for fixed charges, the resulting figures would be \$95,765.75. If this deficit were to be equalized by an allowance of pay for mail apartments, the rate would need to be based on 8 mills per car-foot mile. Therefore, the annual rate per mile of route for a round trip daily of mail-apartment cars, in addition to the pay for weight of mails carried, would be approximately: For 30-foot mail apartment, \$87.60 per mile per year; for 25-foot mail apartment, \$73 per mile per year; for 20-foot mail apartment, \$58.40 per mile per year; for 15-foot mail apartment, \$43.80 per mile per year.

The General Government in the maintenance of the Post Office Department is performing a social and commercial service for the public; so also the railroads in carrying passengers and freight are performing a very essential and important social and commercial service. The establishment of the parcel post emphasizes the commercial aspect of the postal service. The traffic should render a fair return to those engaged in the service whether as postmasters, clerks, letter carriers, or as railroads. Viewing the national postal system as a whole, the railroads constitute not only the framework of connection for the whole structure, but in addition provide and operate the motive power for intercommunication between all of its parts. Its importance should be duly recognized and its work should be fairly compensated.

Very truly, yours,

RALPH PETERS, *President.*

LOUISIANA RAILWAY & NAVIGATION Co.,
Shreveport, La., September 19, 1912.

Mr. JONATHAN BOURNE, Jr.,
Washington, D. C.

DEAR SIR: I have your letter of September 11 and copy of Senate bill 7371, embodying a plan for determining the compensation to be paid to railroad companies for transportation of mails.

The roads that are the least able to comply with the present governmental requirements are those who draw the minimum amount of compensation, and whose cost for handling per 100 pounds is far greater than those drawing maximum pay.

Under this bill the minimum amount of payment is reduced from \$42.50 per mile per annum to \$25, which will be a great hardship to the roads who need a proper compensation in the sparsely settled sections of the country that they are developing largely at their own expense. Local conditions can not well be taken into consideration in fixing the compensation under this arrangement. The Postmaster General will of necessity adopt certain rules which he will pursue in determining the cost of handling. In the adoption of these rules, local conditions will be ignored; in other words, those most able to handle cheaply would probably be overcompensated, whereas in using this method those to whom the expense is greatest will be underpaid. It is true, opportunity is afforded to appeal the apportionment to the Interstate Commerce Commission, but they, like the Postmaster General's department, will also be guided of necessity by certain rules and standards.

In our own case, for example, this line of 350 miles was entirely built by one man, he furnishing the entire capital for the project; no outside investors have been called upon to help bear the burden, and beginning about 14 years ago, many millions of dollars have been invested up to the present time. The results of this has been that a country all the way from west Louisiana to New Orleans has had its value increased several hundred per cent. Each individual along the line is worth considerably more because of his investment; the great convenience to this population, who previously depended upon the irregular

steamboat service or the mail coach for their mails, is worth thousands of dollars to them through the handling of the mails along this line, and yet in all this time the investor of the millions tied up in this road has received no benefit whatever in the way of interest on his investment.

In computing the cost under the rules of the Postmaster General, the probabilities are that only cost of transportation or operating service would be considered, and yet it seems but fair that the proportional amount of loss through operating for years for the convenience of the public at large should be borne by the public. In other words, in conditions of this kind a 6 per cent added to the actual transportation or operating costs would not be fair compensation.

For many years, owing to the thinly settled condition of the country, the weight of mails carried did not, under the old law, justify the payment of more than the minimum mileage, and had this bill been in effect during that time the proprietor's loss would have been increased to the extent of the difference between the minimum in the present bill and that of the one now in effect. The bill seems to authorize the Postmaster General to carry mails on any train—freight or passenger—and to allow the ordering of mail service on freight trains after compensation has been fixed without additional payment.

We are now hampered in our operations to some extent by carrying mails on freight trains, and the public always free to expect and demand the best of service from a railroad company, even though privately owned, make no distinction nor no allowance for the failure of such company to provide their requirements with any profit to itself. This bill gives authority to the Postmaster General to fine the roads for failure to perform the service—even as high as three times the value of such service.

Local conditions would have a great bearing on this phase of the matter.

Under the old law, while roads were being fined for delayed trains this company, with its new line operating in seasons of extreme rainfall, was held up to the same standard that was expected and required of the Pennsylvania or the New York Central, even to such an extent that in some cases, out of a quarterly payment of \$2,300, as much as \$700 was deducted on this account.

The requirement under certain conditions with certain roads, at certain times, is unreasonable, and such roads would be far better off if they were not handling the mails at all. In addition to this, in the near future a road such as ours, even yet before it begins to be a profitable investment for its builder, will be required to supply a new set of equipment under the Government rules. This equipment will be of no benefit whatever to the railroad except for handling the mail, and if proper compensation is not received would be simply an added loss. The Government, through its power to do so, is imposing upon the builder of this line, as the 6 per cent added to operating costs would not by any means, even though all costs should be included, justify the outlay of many thousands of dollars in order to provide a certain class of equipment.

It therefore seems to me that the minimum compensation should not be reduced; that some provision should be made for extra compensation to new and nonprofitable roads, and that local conditions should be considered in fixing compensation and a higher rate of cost per mile allowed to those roads handling a small tonnage of mail than is allowed in the case of the larger lines.

Yours, truly,

H. B. HELM, *Second Vice President.*

MILNER & NORTH SIDE RAILROAD CO.,
Milner, Idaho, November 2, 1912,

JONATHAN BOURNE, Esq.,

Washington, D. C.

SIR: Replying to yours of September 11, relative to Senate bill 7371, in reply to—

Question 1. Would say that I consider the present plan is equitable between this company and the Government. I have no figures as to other classes of railroads, and am, therefore, not competent to offer any opinion.

Question 2. I consider the underlying principle of the plan embodied in the above bill the proper basis for compensation, so far as this company is concerned; but I believe that, whenever additional service is asked for, compensation should be allowed for same.

Question 3. I know of no more desirable plan than the one proposed, with the exception as noted in reply to question 2.

Yours, truly,

D. C. MACWATERS,
Vice President and General Manager.

MARYLAND & PENNSYLVANIA RAILROAD CO.,
Baltimore, Md., October 16, 1912.

HON. JONATHAN BOURNE.
Washington, D. C.

DEAR SIR: In your circular letter of September 11 last you propound three questions which I will endeavor to answer concisely.

Question 1. Do you deem the present plan of compensation an equitable one as between the Government and the railroads, etc.?

Answer. The present plan we deem inequitable:

(a) The present rate of \$75 per mile per annum for 500 pounds is only about 5 cents per 100 pounds per mile, for which the railroad not only transports the mail but, in addition, a passenger on an apartment specially fitted up for that purpose—a miniature post office—and which can be used for no other purpose. Especially can this be said of short lines on which the department pays nothing for the office on wheels which it requires.

(b) It is difficult to appreciate the equity of the department's paying for a whole car where such is used and declining to pay anything for a portion of a car fitted up in exactly the same manner.

(c) The service is burdened with deliveries which, on some routes, consume a large portion, if not all, of the compensation received by the railroad.

Question 2. Is the underlying principle of the plan embodied in Senate bill 7371 a proper basis for compensation, etc.?

Answer. The plan for compensation embodied in this bill is to allow the railroads an amount "not exceeding the cost to the railroads of carrying the mail, as ascertained by the Postmaster General, and 6 per cent of such cost." This appears to be a new method of conducting business, and one which would prove disastrous in most, if not all, lines of trade.

A contractor who furnishes no money and assumes no risk usually receives more than 6 per cent on cost for supervision alone.

Solvent railroads require at least 30 or 40 per cent of their gross revenue to keep them afloat and pay a reasonable return on their capital. This represents not 6 per cent but 50 to 60 per cent of their expenses or cost of earning their money.

Moreover the bill does not require the Postmaster General to pay to the railroad the cost plus 6 per cent. This is a maximum beyond which he may not go, and what he shall pay within this is left wholly to his discretion. You will kindly note that what is sometimes called an appeal to the Interstate Commerce Commission has no bearing upon the question of what the Postmaster General shall pay within this maximum of cost plus 6 per cent. For that procedure if an appeal at all is only upon his method of ascertaining the cost so that even should the commission decide against him he accepts its findings as to the cost, yet still with full discretion as to the compensation, within the maximum, which he will offer a railroad. And when he has made the offer the railroad, under the last provision of the bill, is bound to accept it or commit an unlawful act and make itself liable to a fine of \$5,000.

Now does the bill provide for an appeal to the Interstate Commerce Commission? The bill does not use the term appeal. Nor in sketching the proceeding does it describe an appeal. The objection of a railroad is to be filed not with the commission but with the Postmaster General, who "shall certify the method and objection, and such other papers as in his judgment may be essential to an understanding of the method, to the Interstate Commerce Commission." This seems to be only a reference, not an appeal.

There is no provision here for an appeal nor a day in court for the railroad. Without further pursuit in detail the underlying principle may be characterized as one obnoxious to our fundamental conception of justice, in that it proposes to confer upon one contracting party full power in his discretion to impose upon the other contracting party terms which he is bound to accept, thus depriving him of his lawful contractual right.

Question 3. What is a desirable plan for compensating railroad companies for transporting the mails?

Answer. To ascertain on the average what the space required would be worth to the railroad if occupied by passengers or express matter. The department requires a certain space fitted up, supplied, and attended to in a prescribed manner for its exclusive use. By all rules of trade it should pay for the space appropriated, whether filled or not.

Now, for a few words in general. This bill falls into the class of interstate legislation, yet it is in direct contravention of the spirit of and the principle

underlying that legislation. The underlying principle of the interstate commerce law is absolute equality among shippers. But under this bill the United States would assume the position of a favored shipper, entitled to a lower rate not only, but a rate of its own making in the discretion of its representative.

It goes without saying that the United States intends to do what is right. It is becoming, therefore, that a fair and adequate rate be found and established by statute. Should this be done there will be no kick on the part of the railroads. Allow me to hand you herewith a copy of a communication addressed to the Speaker of the House of Representatives by Mr. Frank Sullivan Smith, president of the Short Line Railroad Association, which goes into more detail than I have thought necessary to answer your questions.

I also inclose copy of bill 4044, introduced by Mr. Talbott on April 11, 1911, into the House of Representatives, which is supposed to be satisfactory to the railroads.

Respectfully, yours,

JNO. WILSON BROWN, *President.*

You will kindly understand the above is also the answer of the Maryland Electric Railways Co. J. W. B.

Has justice fled from Washington,
And left a naked skeleton,
That we should take this bill to be
Remotest kin to equity?

SHORT LINE RAILROAD ASSOCIATION,
New York, February 29, 1912.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES,
Washington, D. C.

DEAR SIR: In view of the admission made by the Postmaster General in his annual report for the fiscal year ending June 30, 1911, that the statistics obtained during the course of the investigation he had caused to be made in regard to railway mail transportation, as contained in his report and the recommendations submitted to you, designated as House Document No. 105, disclosed the fact that certain railroad lines "were actually carrying the mails at a loss," the Short Line Railroad Association, whose roads have not only been underpaid and in many instances have not been paid at all for the services they rendered the Government, was encouraged to believe that House Document No. 105 would recommend changes in the law, along the lines of those advocated by the association, or a reasonable and fair substitute therefor. Being thus led to believe, the association, with considerable difficulty, secured a copy of House Document No. 105, and after examining the statistics gathered and compiled according to the computations and methods adopted by the Post Office Department, eagerly read the recommendations made by the Postmaster General to adequately compensate the railroads, many of which showed according to the computations made in the report a loss from the mail service, from \$16,000, \$9,000, \$5,000, \$2,000, \$1,000, \$500 down to \$100 and less for a period of one month.

The recommendations briefly are:

First. That the present method of compensation to railways for mail carriage, having no sound basis either in cost of operation or value of service, be abandoned.

Second. That there be substituted for the present method a method for compensation, based upon the cost of the service with a profit of 6 per cent to the railways.

Third. That such cost of operation be determined by annual reports to be required by the Postmaster General from the railways upon a method of determination to be determined by the Postmaster General and foreshadowed to some extent in character by the reports required from railways in the investigation of the subject of this report.

Fourth. That if the railways disagree with the conclusion of the Postmaster General, either as to form, significance, or conclusions, the matter shall be referred on appeal to the Interstate Commerce Commission.

Fifth. That it shall be unlawful for any railroad company to refuse to carry the mails at the rate of compensation provided by law when (and) for the period required by the Postmaster General so to do, and for every such offense it shall be fined not exceeding \$5,000.

In considering the practical workings and effect of these recommendations in their bearing upon the service and the pay proposed to be accorded railroads in general and short lines in particular the services of one of the most capable and efficient auditors connected with one of the association short line railroads were invoked to analyze the recommendations. This analysis, upon review by the association, is fully concurred in and is herewith presented:

"As to nebulous basis for the present method of compensation: It may be granted at once that the present basis of compensation is not scientific, having no tangible relationship either as to the cost of operation or the value of service. This unhappy state of affairs is true of every method of rate making, either for freight or passenger transportation or any other service for which railways assess charge upon the public. It is also true probably of the tangible charges for every exercise of human activity. There is no scientific reason why a clothing merchant should exact a profit of 50 per cent for his merchandise as against a profit of 20 per cent by a grocer.

"Rates for passenger transportation and freight transportation charged by railways doubtless took their origin from the rates charged for like service prior to and up to the time when rail transportation was introduced. It is not probable that they had any consistent relationship with the cost of transportation—although some relationship to the value of service as determined by economic factors. The rates that prevailed prior to the introduction of rail transportation had really less relationship to cost of transportation, but probably were somewhat more affected by the value of service, than the original rail rates. It is true probably that the rates of transportation, both prior to and after the introduction of rail transportation, were affected to some degree by costs, because excessive profits would invite a degree of competition which could be introduced at moderate capital expenditures, at least prior to the introduction of rail transportation.

"Transportation of mails before the introduction of rail transportation was effected along stage and water routes and on horseback, sometimes incidental to the established passenger and freight routes and sometimes the existence of the mail route occasioned the establishment of the passenger and freight routes. The compensation for mail carriage when along established stage routes was in the character of additional pay to the existing business of transportation. In no cases, or at least in few cases, did either the carrier of the mails or the Government contribute to the means of carrying, in the way of roads or bridges, which costs were largely borne by the local governments. In this a radical departure was introduced when mail carriage was undertaken by the railways, the investors in railways then paying the entire cost of providing the channels for carriage.

"In the process of time many influences have intervened to disturb whatever relationship originally existed between the cost of service and the rates charged therefor. The competition of other methods of transportation has largely affected rates between definite terminals. These disturbances have affected interior rates. Community competition and the competition of great industrial establishments have further affected rates.

"Where a given instrumentality affords several characters of facilities we must adopt some basis for apportioning the cost of the instrumentality among the several objects accomplished.

"As rates for passenger and freight transportation by railways were probably originally based upon the rates previously existing on other methods of transportation, it is probable that the rates of mail transportation by railways were originally based somewhat upon the compensation required to secure mail transportation by the facilities existing prior to the introduction of railways. It is improbable that the present minimum rate of \$42.75 per mile of route was arbitrarily evolved from the inner consciousness of a postal authority or a negotiation between the postal authorities and the railways. It doubtless bore some relationship to previously existing rates and ultimately to the cost of transportation of mails or to compensation therefor by more primitive methods of transportation. A hundred-mile route under this basis would pay \$4,275 per year. The average minimum weight on these routes could not possibly be carried by any other method than rail transportation overland at anything like this cost, without taking into account either the cost of highways or advantages in time.

"As to the proposition to substitute a method of compensation based upon the cost of handling the business with 6 per cent profit:

"Years ago the Interstate Commerce Commission formulated an effort to ascertain the relative cost of operations as between passenger and freight

traffic. After some years this effort was abandoned by the Interstate Commerce Commission. Railroads individually for their own information have, however, persisted in efforts of this character for the obvious advantages to be gained by such knowledge. The matter has again and again been studied with reference to the subject of the determination of reasonable rates for passenger and freight transportation respectively. A very small portion of the operating expenses of railways is inherently applicable either to passenger or freight traffic. The great bulk of railway operating expenses are not inherently capable of apportionment, and if this be true, how much less capable of apportionment are the original investments, particularly as to rights of way, roadway, and structures. It therefore follows that in respect of the great bulk of railway operating expenses, including taxes, and of the burdens incident to original or capital investment, any effort to apportion these burdens as between passenger and freight traffic must be upon more or less arbitrary bases. As to these arbitrary bases there must be adopted by the individual roads some theory of apportionment and these bases must differ in a profound and logical study, not only with each individual road but with each operating division of every large system.

"It must be kept in mind that prior to any apportionment of expenses against mail transportation there must first be made an apportionment of costs as between freight traffic and passenger traffic.

"It being apparent that any apportionment of operating expenses between passenger and freight traffic involves the assignment of a very large proportion of such operating expenses upon arbitrary bases, such bases must have rational or logical relationship to the conditions of each road, and only a very close familiarity with the conditions can equip anyone to determine these bases. The determination of the relative expenses of freight and passenger transportation can only be made by each separate road. Where this apportionment is made for a special purpose the results will largely depend upon the parties making the apportionment. Therefore, a rate of compensation determined upon the addition of a fixed per cent of profit to the cost of the service will result in rates of compensation varying largely according to the officer making the apportionment. It may be argued that the postal department will have the right of review as to this apportionment. When it is considered how many railroads will be charged with the making of this apportionment and how many reports will require review by the Post Office Department, and how relatively incompetent the forces of the post office will be to make this review by their necessarily imperfect knowledge of conditions prevailing on individual roads, the seriousness of the task is apparent.

"The Postmaster General suggests that the compensation for mail transportation shall be based upon the ascertained cost plus a profit of 6 per cent. A careful study of the document he submits of the results of the departmental investigation indicates that in ascertaining the cost he has recognized but two factors, namely, those elements of cost usually designated as operating expenses and taxes. I can not find that he has taken into account any element of capital investment or the necessary burdens incident thereto. These burdens must be borne by traffic, and if it is proper to apportion operating expenses against mail transportation it would necessarily follow that capital burden must also be apportioned against mail transportation.

"The basis of the Postmaster General's conjecture that a profit of 6 per cent upon the mere cost of mail transportation would be compensatory to the railroads is not indicated in his reports.

"As a matter of fact, a railroad whose gross earnings bear any less per cent to its operating expenses than 100 to 70 per cent is in a bad way; that is to say, a railroad company on its entire traffic must realize a gross earning of substantially 43 per cent over its operating expenses to afford a fair return to its investors.

"In the apportionment of passenger operating expenses as between passenger traffic, express traffic, and mail traffic, the Postmaster General in his report has used the car-foot mileage assigned to each traffic as a basis of apportionment. As applied to the closed-pouch service, the linear space apportioned to mail traffic was on the basis stipulated by the department; that is to say, the railroads were directed to allow 6 linear inches full width of car for the first 200 pounds or less of average daily weight of mail carried and 3 linear inches for each additional 100 pounds.

"The department, however, states in the report that they followed the following rule: For weights of 100 pounds or less, 6 linear inches; for weights above

100 pounds and not exceeding 200 pounds, 10 linear inches; for each additional 100 pounds, 5 linear inches.

"The result of this basis is that if a combined passenger, baggage, and express car were used to carry mail in closed pouches, the car being 50 feet in length and the mail weighing an average of 200 pounds less than two one-hundredths of the cost of operating the car would be charged to mail service; that is to say, no matter how much unused space there might be in the balance of the car, but two one-hundredths of the car expense could be charged to mail, leaving ninety-eight one-hundredths of the car to be apportioned against passenger and express service. It can readily be seen that this method of apportioning the cost of the mail service applied to short-line railroads carrying only pouch mail would place them in the class to receive as he proposes \$25 per mile per year, if the ascertained cost and 6 per cent does not equal that amount.

"In addition to the large burdens put upon the railroads by existing governmental commissions in exactions of reports of operation, the Postmaster General proposes that all railroads shall hereafter be required to make a report to the Postmaster General annually of the operations of the railroad, with such an apportionment of the operation expenses as shall enable a determination of the operation expenses applicable to a very small percentage of its traffic. Because of the inherent difficulties of this apportionment it may be assumed that the reports required would be of a very complex character and both difficult and expensive to prepare.

"The Postmaster General proposes that a different period of the year shall be selected for this report than the period at which the annual reports to other governmental agencies are made, thus inflicting upon the railroads the impossibility of using the data already prepared, for the purpose of making these reports so far as it might be possible.

"He also proposes to impose upon the railroads certain methods of apportionment, which, in the words of the committee on railway-mail pay of the American Railway Association, are never accepted by anyone with practical experience in railway accounting or operation and condemned by the courts in at least two important cases.' The imposition of such methods will prevent the railroads from using the data which for their own practical purposes they have compiled for the purpose of ascertaining the relative costs of conducting passenger and freight operations, which, if applicable to one road would be entirely inapplicable to another and of no practical value to the railways.

"The Postmaster General then proposes that if the railways disagree with the conclusion of the Postmaster General upon the reports rendered, the matter shall be referred on appeal to the Interstate Commerce Commission.

"It may be mentioned at the outset that the Interstate Commerce Commission long ago despaired of applying a rational basis of apportionment of operating expenses as between passenger and freight traffic.

"If the Interstate Commerce Commission did not recognize the methods designated by the Postmaster General, endless confusion would result from such appeal. Moreover, it may be assumed that in proportion to the burden imposed upon the Interstate Commerce Commission by such appeals the present burden upon that commission would become insignificant, particularly as differing conditions would render any basis inapplicable to any considerable number of roads, and the determination of the appeal would involve the study of each road's conditions, varying to some extent from year to year.

"The situation is presented of a controversy in which judge and plaintiff are one, to be appealed to an instrumentality substantially identical in interest to the plaintiff and lower court; that is to say, the railways have to accept and transport the mail traffic. The compensation to be paid is to be based upon an arbitrary percentage of the cost of the traffic, much inferior to the compensation ordinarily obtained for its general traffic in proportion to its cost; the method of determining its cost shall be stipulated by Government and appeal must be made to the Government."

According to the statement made by the Postmaster General in House Document No. 105, data was received from 2,778 out of 3,309 authorized mail routes. The monthly loss from the mail service on these routes as given in Table 7 is \$75,733.07, a total for 12 months of \$908,796.84. The loss given is based upon a computation where the interest on the capital is omitted and a large percentage of dead space in mail cars, which can not be used as passenger space, is transferred to the passenger service.

If the department concedes a loss of nearly a million dollars a year, based upon false and misleading methods of computation adopted by it in arriving at its conclusions, the actual loss incurred must therefore remain problematical.

However, enough has been shown to bear out the statement of the Postmaster General that if an adjustment of railway-mail pay is lodged in his hands that he will still further reduce the amount to be paid the railroads \$9,000,000 a year. This amount seems conservative when we consider his method of arriving at the cost of the service and the percentage of profit he is willing to grant based upon his figures giving the cost.

At the present time short-line railroads, making free side and terminal mail deliveries and furnishing apartment-car space for nothing, are contributing to the post-office fund more than \$5,000,000 a year.

Yours, respectfully.

SHORT LINE RAILROAD ASSOCIATION,
By FRANK SULLIVAN SMITH, *President*.

TALBOTT BILL.

[H. R. 4044.]

In the House of Representatives. April 11, 1911. Mr. Talbott of Maryland introduced the following bill; which was referred to the Committee on the Post Office and Post Roads and ordered to be printed.

A BILL, To amend existing laws and equalize pay for mail service on railroad lines.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That that part of the act of March third, eighteen hundred and seventy-three, as it appears in section four thousand and two of the Revised Statutes and as it has been modified by subsequent legislation, be, and the same is hereby, amended to read as follows, namely:

"The Postmaster General is authorized and directed to readjust the compensation to be paid from and after July first, nineteen hundred and eleven, for the transportation of mails on railroad routes upon the conditions and at the rates hereinafter mentioned:

"First. That the mails shall be conveyed with due frequency and speed; and that sufficient and suitable room, fixtures, and furniture in a car or apartment properly lighted and warmed shall be provided for railway postal clerks to accompany and distribute the mails.

"Second. That the pay per mile per annum shall be at the following rates, namely: On routes carrying their whole length an average weight of mail per day of not more than five hundred pounds, seventy-five dollars; one thousand pounds, eighty-five dollars and fifty cents; one thousand five hundred pounds, one hundred and six dollars and eighty-seven cents; two thousand pounds, one hundred and twenty-eight dollars and twenty-five cents; three thousand five hundred pounds, one hundred and forty-nine dollars and sixty-two cents; five thousand pounds, one hundred and seventy-one dollars; and on routes carrying their whole length an average weight of mails per day of upward of five thousand pounds by making the following changes in the rates per mile per annum for the transportation of mail on such routes in effect on June thirtieth, nineteen hundred and seven, and hereafter the rates on such routes shall be as follows: On routes carrying their whole length an average weight of mail per day of more than five thousand pounds and less than forty-eight thousand pounds, the rate shall be five per centum less than the rates on June thirtieth, nineteen hundred and seven, on all weight carried in excess of five thousand pounds; and on routes carrying their whole length an average weight of mail per day of more than forty-eight thousand pounds the rate shall be five per centum less than the rates on June thirtieth, nineteen hundred and seven; on all weight carried in excess of five thousand pounds up to forty-eight thousand pounds, and for each additional two thousand pounds in excess of forty-eight thousand pounds, the rate shall be nineteen dollars and twenty-four cents upon all roads other than land-grant roads, and upon all land-grant roads the rate shall be fifteen dollars and thirty-nine cents for each two thousand pounds carried in excess of said forty-eight thousand pounds; the average daily weight to be ascertained in every case by the actual weighing of the mails

on all of the railroad mail routes at the same time for thirty-five successive days, commencing on such date, to be designated by the Postmaster General, as is fair and just to the Government and to the carriers, and not less frequently than once in each year, and the result to be stated and verified in such form and manner as the Postmaster General may direct, and that the Postmaster General is hereby authorized and directed to require a railroad mail carrier to provide for the carriage of the mails between its trains and a post office or postal station only where such post office or postal station is located in a railroad depot or station of such carrier."

Sec. 2. That section four thousand and four of the Revised Statutes, as modified by the act of March second, nineteen hundred and seven, making appropriations for the service of the Post Office Department for the fiscal year ending June thirtieth, nineteen hundred and ten, and for other purposes, be, and is hereby, amended by adding thereto the following, namely:

"And the Postmaster General is hereby authorized and directed to allow for space used for railway post-office purposes in apartment cars at pro rata of the rate of compensation allowed for postal cars forty feet in length."

MISSOURI & LOUISIANA RAILROAD CO.,
Kansas City, Mo., September 20, 1912.

MR. JONATHAN BOURNE, JR.

DEAR SIR: Your letter of the 17th. to which is attached a copy of Senate bill 7371, to provide the manner of determining the compensation of railroads for the transportation of the mails. We are not entirely familiar with the general proposition as it would naturally affect the more important trunk lines of the country, but as to smaller lines like ours, operating but 10 miles of main line over which the mail is transported, we have to suggest that the compensation is not reasonable. We provide on our line in this State two trains each way per day, except that we do not operate on Sundays. We are allowed an annual compensation of \$449.28. This for transporting the mail and in addition caring for the handling of pouches to and from post offices at Bevier, Keota, and Ardmore, Mo. At the least calculation it costs us \$5 per month at each of these towns to have the mail carried to and from the post offices, or a total of \$180 per year to be deducted from the allowance made us by the Government, leaving us but \$269.28 for the service of transportation. It does appeal to us that with the smaller lines a greater allowance per mile should be made. The same rate of pay per mile as applied to the larger lines yields, perhaps, a fair revenue for the service furnished, but for the smaller lines it does not, all of which we submit for your kind consideration.

Yours, truly,

JNO. A. SARGENT.

MISSOURI, OKLAHOMA & GULF RAILWAY CO.,
Muskogee, Okla., November 1, 1912.

HON. JONATHAN BOURNE, JR.,
Washington, D. C.

DEAR SIR: Replying to yours of September 11, I submit the following memorandum for your consideration:

(1) The present plan of compensation for railway mail pay is inequitable to the short-line railroads, for the reason that large railroads are paid a rental charge for all cars 40 feet in length, while small roads are paid no rental whatsoever. Many of the short-line railroads are paid on the basis of the minimum of \$42.75 per mile, and have not had a weighing of the mail on their line for several years, while on the large lines the mail is weighed annually and the pay adjusted accordingly. The present plan is also unscientific, because it has no tangible basis and has no relation to the cost of the service.

(2) I do not consider the present plan as outlined in bill S. 7371 a proper basis for arriving at the compensation for several reasons. First, the railroads are allowed only 6 per cent over the cost of transporting the mails, which cost includes operating expenses and taxes. Now railroads are heavily bonded and pay a large interest charge on their bonded indebtedness, and are forced to earn at least 30 per cent of their gross revenues in order to pay this interest; that is, their expenses should not exceed 70 per cent of their gross earnings. Then there are other charges and expenses to be met that are not included in

their operating expenses, such as rents, discounts, and additions and betterments to their existing property, which are necessary to meet competition, or for the proper conduct of their business. As before stated, in order to pay their interest and their other charges, and to give their investors a fair return, it is necessary that they earn at least 30 per cent of their gross revenues, and if freight traffic, passenger traffic, etc., is expected to carry this burden, why should not the mail traffic also earn 30 per cent of its gross revenue instead of 6 per cent? Second, this bill seems to be based on the recommendations of the Postmaster General contained in House Document No. 105. The Postmaster General in arriving at his cost of carrying the mail distributes the car space as follows: For weights of 100 pounds or less, 6 linear inches; weights above 100 pounds and not more than 200 pounds, 10 linear inches; and for each additional 100 pounds, 5 linear inches.

On this basis, on this line, which carries about 800 pounds of mail per mile per day, there would be about 40 linear inches of the car assigned to the mail traffic or one-fifteenth of the space, while as a matter of fact there are 15 feet of each 50-foot car devoted to the mail, or about one-third of the space, and it can readily be seen that under the Postmaster General's plan, the mail would not receive its proper proportion of the expense. Third, under this bill it will be necessary for each railway to make reports to the Postmaster General in order that he may determine the cost of carrying the mail. Now, in order to arrive at such cost, it is first necessary that the expenses of a railroad be divided into freight expenses and passenger expenses. Only a small percentage of a railway's expenses is directly assignable to either freight or passenger traffic; the large majority is chargeable to both freight and passenger traffic and can not definitely be segregated; however, most railways endeavor to make such a separation of their expenses, and in order to do so they employ various arbitrary bases for the segregation; these bases being determined by the actual physical conditions on the railway itself. It does not appear, therefore, that the Postmaster General or his corps of assistants are competent to pass on the reports of the various railways throughout the country, they being ignorant of the local conditions and the methods employed in separating the expenses and the reasons therefor. House Document No. 105 provides that the railways' reports to the Postmaster General shall be made at different times and for different periods from those now made to the various Government commissions. This appears unreasonable, and will put an unnecessary hardship on the railways by depriving them of the use of the statistics and figures already prepared.

(3) As the various railways are themselves in the best position to determine the cost to them of handling the mail, it would seem that they should also be in the most advantageous position to name the compensation. Therefore, it seems to me that they should be allowed to file tariffs with the Interstate Commerce Commission governing the rates for transportation of the mails the same as for the transportation of freight and passengers. Of course these rates would be subject to attack by the Postmaster General just the same as the rates for freight and passenger traffic are open to the criticism of the public.

Yours, truly,

WM. KENEFICK, *President.*

MISSOURI PACIFIC RAILWAY CO.,
ST. LOUIS, IRON MOUNTAIN & SOUTHERN RAILWAY CO.,
St. Louis, Mo., November 22, 1912.

HON. JONATHAN BOURNE, Jr.,
Washington, D. C.

DEAR SIR: I have to acknowledge receipt of your letter of September 11, 1912, inclosing a copy of Senate bill 7371, and requesting views upon three specific inquiries on the subject of railway mail pay, which, with answers thereto, are contained in a memorandum attached.

The real issue is whether the railroads are overpaid or underpaid for mail transportation. The railroads have been protesting since 1907, particularly, that they were underpaid, and that reductions of about \$8,000,000 per annum, made in that year, were unjust to them, and that some form of adjustment should be made.

The Senate Post Office Committee Report No. 955, Sixty-second Congress, second session, July 23, 1912, page 25, which accompanied the Post Office ap-

propriation bill, stated that "the committee is of the opinion * * * that the rates are excessively high."

This view, presumptively, is founded upon the report of the Postmaster General, Document No. 105, wherein he purports to show that the railroads are overpaid \$9,000,000 per annum, which might be saved by enactment of a bill proposed by him, and introduced by your committee, as S. 7371.

There is no proof in his report that the railroads are overpaid; on the contrary, even superficial analysis explodes any such theory, because the methods employed in making his deductions are fatally in error and fortunately easily demonstrated.

His first serious error is in overlooking the right of railroad property or capital to earnings, which is a recognized primary and constitutional factor in all rate cases.

This property is, of course, of enormous value, as follows (1910, I. C. C. Report):

Represented by funded debt-----	\$10,303,474,858
Stock-----	8,113,657,380
Total-----	18,417,132,238

This represents the plant, which, of course, must exist to enable the railroads to perform mail and other transportation services. It is almost too apparent to allude to the effect of such a policy. If applied generally to railroad or any business, it would, of course, bankrupt and destroy them.

His second serious error consists in arbitrarily and erroneously cutting out millions of car-foot miles used directly or incidentally in performing mail service, as reported to him by the railroads in the reports he used and changed to the extent of approximately 23 per cent. As the proportion of car-foot miles is the essential and material factor in his calculations, his erroneous action in not only cutting out such mail car-foot miles but changing the same instead to passenger car-foot miles, is fatal to any theory that the railroads are overpaid.

His third serious error is in dismissing without any consideration, either as to costs or compensation, the extensive and valuable service rendered by the railroads in performing what is commonly known as "messenger service," and which is the carrying of mails between the railroad stations and the post offices, where the latter are within one-quarter mile of the station. This is not a natural function of the railroad company, because it does not handle passengers, baggage, freight, or express beyond its station property, but is an extra service which the railroads perform and saves the Post Office Department from employing 30,000 to 40,000 contract messengers, and which saving former Postmaster General Meyer reported to the Senate committee, amounted to \$4,393,000 per annum. A service of so great value is ignored in treating railway mail pay generally and in the calculations made in Document No. 105.

It is obvious that the railroads are not overpaid, as that document indicates, and no foundation exists for such opinions which may be based thereon. On the contrary, the reports which the Post Office Department required of the railroads demonstrated that they were very greatly underpaid for mail service. Perhaps best illustrated by figures which the Postmaster General does not appear to have submitted in his report, namely, that mail space earned only \$3.23 per thousand car-foot miles, whereas the passenger space earned \$14.2 per thousand car-foot miles. This indicates underpayment to the railroads of over \$16,000,000 per annum, according to figures compiled by the committee on railway mail pay.

Unfortunately and prejudicially to their interests and justice, there has always seemed to exist a feeling that the railroads were paid excessively for carrying the mail. Such views have not been founded upon any competent inquiry, but upon mere assertion. It has been no uncommon thing to notice newspaper items asserting it, and having the effect of creating public sentiment in that direction when there has been nothing substantial in the way of official evidence to support such assertions.

The annual amount of railway mail pay has only seemed large and attracted attention because it represented the largest single item in the Post Office appropriation bill, and without full consideration of the immensity of the service rendered by the railroads receiving it, not only in the transportation throughout the year on all the railroads, and practically on all of the train service of the

country, but in hauling post offices in addition on this mileage for the distribution of the mail while it was in transit and for the performance of other incidental services.

The Government collected in 1910, \$224,128,637.12 in postage, yet for the above service by the railroads only paid \$49,405,311.27, while on the other hand it paid over \$170,000,000 for the function of collection and delivery of that mail and the administration of the postal service. In other words, the railroads received about 22 cents out of the dollar the Government collected in postage for the transportation of the entire mail, whereas the Government used about 78 cents for collection, delivery, and administration.

In the past 10 years the amount paid the railroads in proportion to postal revenue has been very steadily decreasing from 34 to 22 cents per dollar, while the collection, delivery, and administration cost during the same time has increased from 66 to 78 cents per dollar. There is nothing in these facts to support any theory of overpay to railroads. In reality railway mail pay instead of representing a large proportion of railroad revenue is, indeed, very small. In 1910 it only amounted to 1.78 per cent of gross revenue, while the roads had to depend upon freight, passenger, and express business for 98.22 per cent of revenue. The railway mail pay does not even equal one-half of the taxes alone which the railroads pay.

The only thorough inquiry, previously made on the subject of railway mail pay, was by the commission of 1898, which, after two years' study and voluminous testimony, reported as follows:

"Upon a careful consideration of all the evidence and the statements and arguments submitted and in view of all the services rendered by the railways, we are of the opinion that 'the prices now paid to the railroad companies for the transportation of the mails' are not excessive, and recommend that no reduction thereof be made at this time." (S. Doc. No. 89, pp. 19, 22, 25, 29, 52d Cong., 2d sess.)

It demonstrated then that there was no foundation for the sentiment of overpay that existed, based upon mere assertion, and which culminated in the appointment of the commission. Notwithstanding, a further agitation of the subject arose in 1907, with disastrous and, as we believe, decidedly unjust results to the railroads.

Congress had the subject before it, and by act approved March 2, 1907, reduced the railway mail pay \$2,723,000 per annum, cutting the pay on weights and full postal cars. No sooner, however, was this done—in fact on the day the act was signed by the Executive—the Postmaster General issued order No. 166, commonly known as the "divisor order," which cut the railway mail pay \$4,941,000 per annum more than Congress, by its own action at that time, regarded as justifiable.

The railroads have been protesting this double method of reduction from two sources was decidedly unjust and far beyond the wishes and action of Congress at that time.

Instead of a reduction of \$2,723,000 per annum designed by Congress, an actual reduction of \$7,664,000 has been made. Included in the reductions made by Congress was a cut in the pay of full postal cars, which, at that time, were of wooden construction. Since then not only has Congress required the reconstruction of the wooden cars to standards, but at the last session provided for their retirement and replacement by all-steel equipment and without any provision whatever for compensation to the railroads. Certainly the higher class of equipment required and the expense of substituting it for wooden cars, which must be abandoned, form a sufficient businesslike basis for a restoration of the rates that were in effect prior to the cut of 1907.

It is hoped the commission, of which you are chairman, will recommend a restitution to the railroads of these reductions in the form of an annual weighing, pay for mail-apartment car space, and compensation for messenger service.

The fairness of such action is especially emphasized at this time by the inauguration of the parcel post on January 1, next, which, apparently, will increase the volume of mail and for which no provision in the way of compensation has been made to railways, although such provision has been made to increase the pay of rural carriers, star-route carriers, and messenger service.

The principal service in connection with parcel post will be that performed by railroad companies in its transportation over the immense mileage of the country, and the justice of an equitable method of pay will, no doubt, appeal readily to every Member of Congress, as it can not be expected that it will be

transported by the railroads for nothing while the Government is collecting a revenue thereon, and considering that the railroads, at the present time, are being compensated for its transportation as express.

The Post Office Department, as a result of the complaints of the unjust reductions in 1907, called upon the railroads for information and statistics on forms which it had sent out. The railroads, with the object of assisting in collection of the data correctly and promptly, designated a committee on railway mail pay to assist and to study the results.

The committee, on behalf of the roads, has answered the three inquiries contained in your letter, in which views I fully concur.

For convenience there is attached a copy of the questions and answers thereto, submitted by the committee.

Yours, very truly,

E. J. PEARSON,
First Vice President.

NEVADA COPPER BELT RAILROAD CO.,
Salt Lake City, Utah, November 11, 1912.

HON. JONATHAN BOURNE, Jr.,
Washington, D. C.

DEAR SIR: The writer does not believe the present plan of compensation for carrying mails is equitable in the following respects:

If he is not mistaken, all roads are paid alike for the service without regard to conditions. In some cases the cost of handling the mail is greatly in excess of what it is in others and should be paid for accordingly. A road having a long haul can certainly carry the mail at a less price per mile than one having a short haul. If a flat rate is allowed in all cases it should be sufficient so as not to work a hardship upon the small, weak roads. The writer understands that the present compensation is not sufficient in a great many instances to pay the expense incurred in handling mail.

I would also suggest that the railroad company ought not to have to deliver the mail beyond its stations, but that it should be carried by the postmaster from the station to the post office. The writer also understands that where the mail is carried in apartment cars where part of the space is used for express and baggage, that the mail matter does not pay for its proportion of the dead space in the car, but throws an undue burden upon the express, baggage, and passenger service.

Would it not be better to allow each of the mail-carrying roads to fix its own tariff the same as it does in carrying other freight or express, and let it be subject to revision by the Interstate Commerce Commission?

It seems to us, however, that the present law, supplemented by H. R. 4044, would be a just and equitable basis for compensation. We understand that there have been several hearings in Washington on this bill, and that those Members of the House who were present were convinced of the justice and equity of its provisions.

I do not believe that it is right to make the Postmaster General a judge of what the compensation should be, in view of the fact that it is to his interest to make as good a showing as possible in his department, so that assuming that he is ever so honest and capable, he is not in as good a position to judge fairly as an entirely disinterested person or board.

We understand that Senate bill 7371 was based upon the Postmaster General's report in House Document No. 105, and that according to his recommendations the pay of the railroad for carrying mail is to be cost plus 6 per cent, and that in arriving at the cost he only takes into consideration operating expenses and taxes. This certainly is not just, but would amount almost to confiscation. If it is going to be fixed on a percentage basis, the cost of the mail should certainly bear its proportion of all of the expenses. If we take only part of them into account we may leave out enough to entirely wipe out the profit and more. The mail service should be made to carry its proportion of overhead charges, interest on capital, upkeep of the road, and all other expenses that are necessary in operating a reasonably well-operated road. Anything less than this imposes a burden upon a small road, which it can not afford to carry, and the Government has no right to impose any such burden.

Yours, very truly,

W. C. OREM,
President Nevada Copper Belt Railroad Co.

NEVADA COUNTY NARROW GAUGE RAILROAD CO.,
Grass Valley, Cal., November 7, 1912.

Hon. JONATHAN BOURNE,
Washington, D. C.

DEAR SIR: Yours of September 11 at hand and contents carefully noted, and in answer, considering the effect on this road, beg leave to answer as follows to question No. 1:

The present plan of compensation is not an equitable one to the railroads unless the extra weight of the mail carried during the biennial election contest for Representatives, and the four-year contest for President, and the franking privilege then used be taken into consideration and the roads compensated therefor. Weight, value, and time being the chief factors in making all rates, why not continue the present plan until a better one is found? The Post Office Department is not now paying us an exorbitant figure for the mail service, the ascertained weight being carried by us 52,200 pounds per annum, carried on seven trains, for which we receive an annual compensation of \$2,021, from which we are required to pay \$180 for the transfer of the mail to and from the terminus at Nevada City and the post office, and about a like amount in the time of our employees at Colfax for a like service there, so that the mail nets us about \$1,700 per annum, or a little over 30 cents per 100 pounds.

The express company pays us an average of 34 cents per 100 pounds on their business, and that company provides a messenger on the trains and one at each end to give and receive packages and check the same, while our employees are required to do that service for the mail. Can't the post office pay as much?

Our average first-class freight rate is 20 cents per 100 pounds. Our passenger rate is 7½ cents per mile, and he takes himself on and off the train and pays us at the rate of about \$1 per 100 pounds for carrying him the same distance we carry the mail for 30 cents, and as the tables submitted by the report of the Second Assistant Postmaster General are based on passenger service, we fail to see any justice in the proposed reduced rates.

Question 2. The principle of the plan may be all right, but the terms proposed are most certainly unjust for the following reasons:

It proposes to place the compensation for carrying the mail at \$25 or less per mile of road per annum.

The Postmaster General may order new or additional service during a term without increase of compensation, but may decrease compensation for any reduction in service. Are not these beautiful and just provisions for the Government, but where does the carrier get off?

This will cut our revenue to \$550 or less per annum from our present return of \$1,700, and this in the face of the fact that with the first of the year a parcel-post service will be inaugurated, which will no doubt cut heavily into the express business and thus diminish our revenue from that source. It will add the loss of the express business to the postal business, and the carrier will be required to transport it as mail matter, thus our return of between \$4,000 and \$5,000 per annum from the express will be cut possibly one-half, and as I understand from the bill we would have to accept not more than \$550 for all this, and whatever new business the cheap postal service will create under a penalty of \$5,000 for refusal.

Another provision of the bill requires the railroads to carry all accredited agents and officers of the Post Office Department, when in the exercise of their duties, free of charge.

Why should we be required to do this? We have to place a post-office stamp on every piece of mail matter we send out, whether on Government requirements or on our private business. The Government did not build or help build this road, the stock and bondholders built it entirely, and all contracts we have with other corporations requiring free transportation, it becomes reciprocal, and we are compensated thereby. Why not the Government do likewise or cut this provision out entirely?

Our road cost about \$700,000 to build. Our returns, as shown by our reports made to the Interstate Commerce Commission, to which you are respectfully referred, showed our road made a net revenue last year of \$24,544, being 3½ per cent on the investment. For 23 years this road paid no dividends. By strict economy it is now paying a 4 per cent dividend to its stockholders from its earnings.

I trust you will give the foregoing careful consideration and view the situation from the carrier's point of view as well as the Government's.

If a change of plan is necessary or desirable, I suggest you consider H. R. 4044, prepared by the Short Line Railroad Association, as furnishing a plan more equable to all concerned, but to the provisions of the Senate bill 7371, recommended by you, we earnestly protest, as the returns from it would be totally inadequate, and the penalty very harsh and entirely uncalled for.

Respectfully,

Superintendent and Treasurer.

NEW PARK & FAWN GROVE RAILROAD,
New Park, Pa., September 19, 1912.

MR. JONATHAN BOURNE, JR.,
Washington, D. C.

DEAR SIR: Replying to your letter of the 11th instant, regarding plan of compensation for service of carrying the mails, beg to say in answer to questions 1 and 2 that I am not in position, with the limited knowledge I have, to answer these; would say that, as far as our line is concerned, we are satisfied with the present compensation, but would not be satisfied with any less.

Regarding question 3 I have no plan that I could offer you.

Hoping this will be satisfactory, I am,

Yours, respectfully,

JOHN H. ANDERSON, President.

NEW RIVER, HOLSTON & WESTERN RAILROAD CO.,
Narrows, Giles County, Va., October 26, 1912.

MR. JONATHAN BOURNE, JR.,
Washington, D. C.

DEAR SIR: We note your recent communication regarding Senate bill 7371, and thank you very much for calling our attention to same.

We are only a 20-mile road and naturally think the present compensation for carrying the mails small enough.

Yours, very truly,

F. E. BASTIAN, Manager.

NEW YORK, NEW HAVEN & HARTFORD RAILROAD CO.,
New Haven, Conn., September 20, 1912.

HON. JONATHAN BOURNE, JR.,
Washington, D. C.

MY DEAR SIR: Your letters to President Mellen, asking for comments upon S. 7371, have been duly received.

I note that the bill is substantially that recommended by the Postmaster General in House Document No. 105. I hope to have an opportunity of making specific criticisms of it before your committee at some of the hearings to be held, I assume, between now and the opening of Congress. For the present I shall offer the following general criticisms:

The business of carrying mail for the United States Government should be established upon a similar basis to that of carrying commodities for other shippers. Neither the rate nor the cost of performing the service should be determined in the first instance by the Postmaster General. The Interstate Commerce Commission should be charged with that duty, upon representations made by the Post Office Department on the one hand and by the railroad company on the other, with full authority on the part of the Interstate Commerce Commission to verify, by investigation or otherwise, all statements and reports made by each party.

The Interstate Commerce Commission and not the Postmaster General should be authorized and directed to readjust the pay after the investigation aforesaid. When that has been fixed and the service prescribed, the Postmaster General and the railroads should each be held strictly to the performance of the contract. Additional service required by the Post Office Department should be anticipated by the commission and the rate fixed for it. Failure to perform the service prescribed in the contract should meet with a penalty anticipated and prescribed by the Interstate Commerce Commission. It is not fair nor reasonable to permit the Postmaster General to order new or additional service during the term the adjustment shall have been made without giving additional compensation therefor during such term; nor, on the other hand, is it fair that

service prescribed by contract, abandoned because the same has become unnecessary, should entitle the railroads so abandoning the service to as much pay as they had previously received.

It is proper to embrace in the contract transportation of those engaged in the actual work of sorting the mails and to provide compensation for their carriage as a part consideration for the contract. The Post Office Department ought not to ask free transportation, which it is the policy of the Government to forbid to other shippers. Much more should this apply to post-office inspectors and their accredited agents, who are traveling on the regular trains of the railroad. They should be required to pay their fare the same as any other passenger and charge the same as part of their expense account to the department.

I have no criticism to make of the specifications for R. P. O. and apartment cars used for Railway Mail Service. Undoubtedly they should be of such construction as should fit them for the service and should be first class and sanitary in every respect; but the cost of constructing and maintaining them should be reckoned in as a part of the compensation to be paid to the railroad companies and any change in existing specifications should be reflected in the adjustment of compensation. I think also that there should be taken into consideration the class of trains upon which the mail is carried. Upon certain of our trains which make very fast time and which are limited in equipment an additional R. P. O. car would require a slowing of the schedule. On other trains a schedule can easily be made with one or even more additional R. P. O. cars. It is a question, in frequent service such as we give, running, for instance, substantially 14 trains each way per day between Boston and New York, whether it is essential that mail should be sent on our limited trains and so arrive in Boston or New York half an hour or, at most, an hour before a slower train. If the department insists upon sending mail upon these fast trains, they should be prepared to pay for it and for the motive-power equipment necessary to make the time. In other words, my criticism generally of the bill is that it purports to make a contract between the Post Office Department and the railroads and then leaves it in the power of the Postmaster General to modify the terms of that contract in his discretion without providing any additional compensation or in fact giving the railroads reasonable notice of the proposed changes.

As I have said, I will criticize this bill more in detail before your committee if you will give me an opportunity to appear before you between now and the 1st of December.

Very truly, yours,

E. G. BUCKLAND, *Vice President.*

NORFOLK & WESTERN RAILWAY CO.,
Roanoke, Va., October 11, 1912.

HON. JONATHAN BOURNE, Jr.,
Washington, D. C.

MY DEAR SIR: I have received your letter of the 11th ultimo inclosing me a copy of Senate bill 7371, embodying a plan recommended by the Post Office Department for determining the compensation to be paid to railroad companies for the transportation of the mails.

You are aware that this matter is of so much importance to the railway companies of this country that they have appointed a special committee on railway mail pay, which committee has been considering from time to time the various phases which this matter has assumed. Of course, the special consideration of your letter has been referred to this committee, and I am in receipt of a copy of the committee's communication to you of the 3d instant.

While I indorse what this committee has transmitted to you, representing as it does almost the entire railway mileage of the country, yet I feel that it is proper for me to state two general objections to the bill which you submit and which would seem to me to be fatal to the bill so far as it is intended to provide fair and equitable treatment to the railroads of the country.

First. The bill provides that the Postmaster General shall apportion the revenues and expenses of the railway companies in such manner as to him shall be deemed fair and equitable in order that he may determine the cost to each railroad company of carrying the mails on its road.

You, of course, are aware that this imposes upon the Postmaster General a task which has not yet been successfully performed by anyone. Although for a number of years many of the best minds of the country have studied the problem, no conclusions have yet been reached which would justify the formu-

lation of rules establishing any uniform units upon which cost of the particular business can be predicated.

This bill does not provide for any representation by the railway companies in the investigations which are intended to bring about a conclusion as to what it does cost the particular company to carry the mails, and the only appeal that is permitted is to the Interstate Commerce Commission, whose decision shall be based upon such papers as the Postmaster General shall furnish to the commission and which, in his judgment, are deemed essential to an understanding of the method adopted by him in fixing the compensation.

If the railway companies have any rights which the law shall respect, it would seem to me that in so important a matter involving so vast an amount of money the railway companies would be entitled to the opportunity to present their views somewhere or somehow before a disinterested tribunal.

All of us must recognize that a zealous Postmaster General is properly interested in reducing the cost of service in his department, and I take it that in approaching the subject from that viewpoint he would necessarily be disposed to minimize the cost to the railway companies of performing the mail service.

Second. The second objection to the bill that seems to me to be fatal is the fact that on its face the bill contemplates the partial confiscation of the property of the railroads of the country to the extent to which their instrumentalities are used in the service of the Government in carrying its mails.

The only compensation to be accorded to the railways under the bill is to reimburse to them the cost of the service as ascertained by the Postmaster General, to which cost is added 6 per cent of such cost.

I am sure that a moment's reflection would satisfy any experienced mind that in the event all of the business of the railway companies was done on this basis, bankruptcy of all the roads would result. It does not seem to me that the Government should by law undertake to force upon the railway companies a schedule of charges which could not be carried into effect in connection with all the business; and the imposition of the scheme, if carried on successfully, would simply mean that the shippers of the country would pay for the service performed for the Government, and it does not seem to me that the Government can properly put itself in such a position. This is not its policy with regard to any other service performed for the Government, and I fail to see any just reason why a discrimination in this respect should be imposed upon the railway companies.

The proposed act seems to contemplate the doing of the mail service on "force account," which is a familiar form of service in the simpler contracts for labor and material, but I call your attention to the fact that even in those contracts the compensation in the ordinary transactions varies from 10 to 25 per cent on the actual cost of labor and material, the variation being based upon the complexity of the machines and instrumentalities incident to the construction of the work and the risks involved. It must certainly appear to the fair-minded person that the instrumentalities used by the railway companies in performing this governmental service are of a high degree of complexity and involve no little risk.

Very truly,

L. E. JOHNSON, *President.*

PACIFIC & IDAHO NORTHERN RAILWAY CO.,
New Meadows, Idaho, October 9, 1912.

HON. JONATHAN BOURNE, Jr.,
Washington, D. C.

MY DEAR SENATOR BOURNE: In reply to your communication of September 11, relative to Senate bill 7371, embodying a plan recommended by the Post Office Department for determining the compensation to be paid to railroad companies for transportation of the United States mails, I beg to state that I see but little fairness or merit in the bill in question. In my judgment, confirmed, I believe, by the admitted facts, there has at all times been a great hardship worked upon the smaller lines of railroad, at least in the adjustment of compensation for space assigned in our rolling stock for the exclusive use of the Railway Mail Service. If there is to be a fixed rate, applying alike to all mail-carrying roads, the present law, if amended in conformity with House bill 4044, prepared by the Short Line Railroad Association, would seem, in my judgment, to be equitable to all concerned.

I believe that the practice of weighing mail at intervals of four years works a great hardship upon roads in the West in districts which are developing, as

is ours, very rapidly. As a Western man you will appreciate that the volume of mail may oftentimes multiply several times in four years, which places a pioneer railroad in the position of carrying for the Government a weight far in excess of that upon which its compensation is based. The underlying principle of the plan embodied in Senate bill 7371 seems to me to be arbitrary and unjust as a basis of compensation. A discussion of this feature involves the broad question as to the factors to be considered in determining the cost of carrying mail. I understand that the honorable Postmaster General recognizes only two factors in computing the cost; that is, operating expenses and taxes; and I take it these two items are the only ones considered by him in making his reports to Congress in railway-mail pay Document No. 105. The element of capital and essential burdens incident to the upkeep of the road do not appear to be considered. In addition the Postmaster General is given the power to compute the mail compensation on the car-foot miles devoted to the mail service. This would compel a large percentage of the smaller railroads to charge at least 95 per cent of the cost of operating the car against the passenger and express service, relieving the mail service from paying its proper proportion of the dead space, and this notwithstanding that the dead space for which the Railway Mail Service is directly responsible may not be utilized in any way by the railway company for other than Railway Mail Service purposes. As a matter of fact and of equity, I will state to you that so far as compensation is concerned and dismissing entirely for the time being the questions of public policy and of facilitating the mail service in the interest of the communities which we serve, I should be most happy as a cold-blooded business proposition to dispense entirely with carrying the United States mail upon the basis of compensation which we now receive. That being true, it can readily be seen that I could not consistently acquiesce in a measure that contemplates a reduction of nearly one-half in that compensation. It seems to me peculiarly arbitrary, unjust, and unreasonable to stipulate "that it shall be unlawful for any railroad company to refuse to carry the mails at the rate of compensation provided by law, when and for the period required by the Postmaster General so to do." The fine of \$5,000 for refusal is also unreasonable, unjust, and unfair.

To conclude, if the postal rates now in effect can not be amended to conform with House bill 4044, then it would seem to me to be fair and reasonable and in the interest of all concerned to repeal the existing laws governing the compensation to railroads for the carrying of mail and to place the entire matter of compensation for such service in the hands of the Interstate Commerce Commission.

There is another feature involved which is worthy of consideration and which should appeal to the sense of fairness of any Western Representative or Senator; that is, that conditions differ very widely as between railroads in different parts of this country, and that what might be fair and equitable as applied to a railroad in a densely populated district, might, and probably would be, distinctly unfair and unreasonable as applied to a pioneer railroad in the growing West.

You will doubtless agree with me that whatever views we may hold upon various questions involved in the treatment of public-utilities corporations or common carriers, the fact remains that new railroads and extensions of lines already existing are absolutely essential in order that the Western States, now in the throes of development, shall achieve their fullest destiny. In the case of transcontinental railroads, you will appreciate that the through traffic in which they participate is an important item in revenue. In the case of local or feeder lines, they are dependent exclusively upon the development of their local district for their revenue, and the basis of compensation by the Government for any service rendered to it should be so adjusted in the best interest of the people at large so as not to discourage the investment of capital, which has the world as its field of operation in additional railroad construction in the thinly settled West.

Yours, very truly,

E. M. HEIGHO.

PAUL SMITH'S ELECTRIC LIGHT & POWER & RAILROAD CO.,
Paul Smiths, N. Y., September 16, 1912.

MR. JONATHAN BOURNE, JR.,
Washington, D. C.

DEAR SIR: Replying to your letter of the 11th instant, inclosing Senate bill 7371, we feel that \$42.75 per mile of trackage per annum for hauling mail is

fair to both the Government and the railroad company, considering the space occupied and the weight carried.

Very truly, yours,

PAUL SMITH'S ELECTRIC LIGHT & POWER & RAILROAD CO.

[Atlantic City Railroad, Catasauqua & Fogelsville Railroad, Gettysburg & Harrisburg Railway, Northeast Pennsylvania Railroad, Perkiomen Railroad, Philadelphia & Chester Valley Railroad, Philadelphia & Reading Railway, Philadelphia, Newtown & New York Railroad, Pickering Valley Railroad, Reading & Columbia Railroad, Rupert & Bloomsburg Railroad, Stony Creek Railroad, the Williams Valley Railroad.]

PHILADELPHIA & READING RY.

OFFICE OF VICE PRESIDENT, READING TERMINAL,

Philadelphia, October 15, 1912.

MR. JONATHAN BOURNE, JR.,
Washington, D. C.

DEAR SIR: Referring to your letters of September 11, addressed to President Baer to each of the above companies, inclosing copy of Senate bill 7371, introduced by you by the direction of the Senate Committee on Post Offices and Post Roads, embodying a plan recommended by the Post Office Department for determining the compensation to be paid to railroad companies for the transportation of mails, and requesting replies to inquiries bearing on the present plan, and that introduced in your bill.

The subject of mail-transportation costs and revenues has been a familiar matter since the preparation of data for the Post Office Department in 1909, and I have before me a copy of a letter dated October 3, addressed to you by the committee on railway mail pay in reply to your inquiries, in advance of a response now in course of preparation by the committee on House Document No. 105. This communication fairly sets forth our views in regard to compensation for the carriage of mails, and we indorse the expressions contained therein. We would further ask your attention to the display of the above companies under transportation of mail, on pages 276 and 277 in Document No. 105, which shows a loss from mail services for the month of November, 1909, of \$3,652.81. This loss is against a total monthly revenue from mail service during that period of \$11,797.66, and while this shows a large percentage of loss, we feel that the basis under which the car-foot miles were arbitrarily developed by the Post Office Department in preparing these statistics of cost does not equitably state our position in cost of carrying mail.

Briefly, the plan followed by the Post Office Department in producing the car-foot miles in mail service of 3,270,478, as shown in Document No. 105, shows that they made an arbitrary assignment of space in apartment cars on basis of space reported by Railway Mail Service as being necessary for that train, and in closed-pouch service an arbitrary assignment of space was made based on weight, which was produced on an average fixed weight for each mail pouch and sack.

The figures submitted by this company in its reports were 5,226,386 car-foot miles, and were on a basis of space in apartment cars, and space in closed-pouch service in baggage and combination cars, and the space used by each mail, baggage, and express in apartment, plus the proportion of dead space each bears to the total of the space occupied.

We feel it is necessary to provide carrying facilities in the several branches of the passenger service both as to space in car apartment to properly care for and expedite the handling of the several classes of matter, and in the seating capacity of coaches to care for the traveling public, and that each of the several classes of matter take care of its proper proportion of dead or unused space. This arbitrary assignment of space by the Post Office Department resulted in the reduction of 1,955,908 car-foot miles, or 37.42 per cent.

The above is respectfully submitted for your consideration.

I am, yours truly,

THEODORE VOORHEES,
Vice President, President Williams Valley R. R.

THE PITTSBURGH, LISBON & WESTERN RAILROAD CO.

Lisbon, Ohio, September 21, 1912.

HON. JONATHAN BOURNE, JR.,
Washington, D. C.

DEAR SIR: I beg to acknowledge the receipt of yours of the 11th instant, submitting copy of Senate bill No. 7371. This bill I have read. I am now unable to state whether it would afford the relief that seems to be due to the short-line railroads.

This company carries United States mail over 25 miles of road on four trains each day, and received therefor \$1,566.52 per annum, less fines. This makes practically \$5 per day. The space required in the car is about 64 square feet. For this space, carrying the mail and the clerk, the company received about 5 cents per mile.

I am advised that operations of many other short lines show about the same results. It seems to me that every one must concede that this compensation is clearly inadequate for the service rendered. Out of the compensation received the railroad company is required to pay about \$10 per month for delivering mails from railroad stations to post offices.

I trust that some plan may be arrived at which will confer upon the Postmaster General authority to put the short-line railroads on a more equitable basis,

Yours, truly,

N. B. BILLINGSLEY, *President.*

RAIBATAN RIVER RAILROAD CO.,
Jersey City, N. J., September 19, 1912.

HON. JONATHAN BOURNE, Jr.,
Washington, D. C.

DEAR SIR: Replying to your circular letter of September 11, instant, beg to advise that this railroad handles a very small amount of mail matter between South Amboy, N. J.—our junction point with the New York & Long Branch Railroad—and Parlin, N. J. (There are no intermediate post offices on our line between these two points.)

The distance is 4 miles, and we receive, at the present time, \$15.67 monthly for this service.

Owing to the insignificant amount of this traffic, we do not feel that we are in a position to express an opinion as to an equitable method to be pursued in compensating railroad companies for carrying mail matter.

Very truly, yours,

WM. G. BUMSTED, *President.*

ROARING FORK RAILROAD CO.,
Blackwood, Va., September 14, 1912.

HON. JONATHAN BOURNE, Jr.,
Washington, D. C.

MY DEAR SIR: We have your letter of September 17, inclosing copy of Senate bill 7371, indorsed by you, embodying a plan for determining the compensation to be paid to railroad companies for the transportation of the mails.

In reply to the first question, we do not believe that the present plan is an equitable one, for the reason that the small roads do not receive adequate compensation and the larger systems are very much overpaid.

2. We believe bill 7371 is very proper, and we have no comments to make on it.

3. It is a very hard matter to determine on a desirable plan for compensating railroad companies for transportation of the mails. I believe that this question could be submitted to an impartial board, who would secure all necessary data, and then could determine a fair and just compensation.

Yours, very truly,

ROARING FORK RAILROAD CO.,
By C. J. CUTTING, *General Manager.*

SEABOARD AIRLINE RAILWAY,
Norfolk, Va., October 21, 1912.

HON. JONATHAN BOURNE, Jr.,
Washington, D. C.

DEAR SIR: I beg to submit the following replies to interrogatories contained in your circular letter dated September 11, addressed to the president of this company:

1. The basis of the present plan of compensation is fair in principle, but the law has been supplemented by so many regulations and administrative requirements that it does not provide fair compensation to railroads generally, as shown by data compiled by the committee on railway mail pay in answer to Document No. 105, Sixty-second Congress, first session.

2. The underlying principle of the plan embodied in Senate bill 7371 is not, in my opinion, a proper basis for compensation. No rate is or ever has been based upon cost of operation. Such a plan presents many varying and not readily determinable conditions which would give rise to almost insurmountable difficulties. It would place a premium upon inefficiency and a very great accounting burden upon the railroads. It does not provide for any return whatever upon investment, which return is absolutely necessary to the preservation of corporate existence.

The operating expenses and taxes of the railroads for the year ended June 30, 1910 (see Interstate Commerce Commission report), amounted to \$1,920,665,026; 6 per cent of that amount is \$115,239,922, whereas for interest, rentals, etc., for the same period \$560,905,952 was required. It will therefore readily appear that the plan advocated by the Postmaster General and proposed in Senate bill 7371, if applied to all the business of the railroads, would produce only 20.55 per cent of the amount necessary to keep them out of the hands of receivers. It is scarcely conceivable that Congress would wish to fix a rate for the transportation of mail on railroads which would make the mail service a tax upon every other service rendered by them.

The collection and preparation of the data contained in Document No. 105 required nearly two years' time. We may fairly presume each annual adjustment under the plan proposed would not require less time, would be influenced more or less by administrative policy, give rise to more or less contention, and must, of necessity, place the railroads in a position where they would never be able to tell what they are to receive for the service they perform, while Congress would be called upon to appropriate money on a speculative basis.

The practically unlimited authority which it is proposed in the bill to confer upon the Postmaster General as to the determination of cost and administration are as objectionable as the principle involved. These objections are well set forth in an article over your signature in the August number of the Review of Reviews.

3. In their answer to Document No. 105 the railroads have shown that compensation for mail transportation is not remunerative as compared with other elements of passenger-train revenue. They have frequently demonstrated in passenger-rate cases that earnings from passenger service are not excessive. Our conclusion, therefore, is that reductions in pay for the transportation of mails on railroads by acts of Congress and by Executive orders have not been justified by the evidence presented; that the rates provided by the law of 1873 (R. S. 4002) should be restored; that pay for railway post-office cars, as provided in Revised Statutes, 4004, should be restored; and that pro rata space pay should be allowed for mail apartments in cars. The law should be definite and specific in terms, limiting service to rail distance and relieving railroads of burdensome regulations and requirements at present enforced by fines and deductions, which are not incident to any other class of transportation.

Very truly, yours,

CHAS. R. CAPPS, *Vice President.*

SIERRA RAILWAY CO. OF CALIFORNIA,
Jamestown, Cal., October 16, 1912.

HON. JONATHAN BOURNE, Jr.,
Washington, D. C.

DEAR SIR: Referring to your letter of September 11, addressed to Mr. T. S. Bullock, requesting views of this company as to the merits of Senate bill 7371 as applying to railway mail pay.

I am in receipt of a copy of the letter addressed to you under date of October 3 by the committee on railway mail pay, and same embodies the views of this company in the main. There are one or two points in which I would go farther than the stand taken by the committee.

Clause D, question 1.—In the committee's reply they desire a fair allowance to the railroads for the side and terminal messenger service which they perform for the Post Office Department. In my opinion the railroads should be relieved of this service altogether. It is not a question of railway transportation in the general sense. Carriers do not perform this or a like service for other patrons of the road, and I see no good reason why the Government should not make other arrangements for this service.

Paragraph E, question 1.—The committee say, "That all rates of pay should be definite and not subject to the discretion of the officers of the Post Office Department." On this point I would particularly specify that no penalties should be exacted from the carriers on account of delays or failures to handle the mails except in cases where such delayed mail may be diverted over other routes. I see no reason for penalizing a carrier simply for the reason they are a few hours late or did not move the mail on a specific train when the service is performed later.

The mail is transported by the railroad lines. The persons receiving the mail are not allowed anything by the Government for the delay, and it is only an arbitrary reduction going to the credit of the Government and does not in that sense correspond with other railway transportation.

Yours, very truly,

S. H. SMITH.

SOUTH GEORGIA RAILWAY CO.,
Quitman, Ga., October 7, 1912.

HON. JONATHAN BOURNE, Jr.,
Washington, D. C.

DEAR SIR: Replying to your letter of recent date in reference to the cost of handling the mails via our line.

I will say that the pay is entirely inadequate and but for the interest of the people along our line we would not consider the expense of equipment and cost of handling at the price we receive.

To inconvenience the people from whom we get our living would, of course, react upon us and for that reason we continue the hardship.

I would respectfully call your attention to detailed answers to your questions made by Mr. Ralph Peters, acting chairman of committee on railway mail pay of various lines, which I think fully covers most all phases of this matter and I fully indorse what he says in answer to your questions.

Yours, truly,

J. W. OGLESBY, *President.*

SOUTH GEORGIA RAILWAY CO.,
Quitman, Ga., October 14, 1912.

HON. JONATHAN BOURNE, Jr.,
Washington, D. C.

DEAR SIR: As a supplement to my previous letter in reference to mail compensation.

We have been reduced \$50 per month in compensation for handling mail over our 77 miles of road under the last weighing period. They claim that we are handling less mail than we handled four years ago, while our territory is constantly growing and we can show by every postmaster along the line that he is handling more mail to-day than he has ever handled.

I will be glad to have the committee investigate the rather peculiar conditions that exist at the present.

Yours, very truly,

J. W. OGLESBY, *President.*

ST. LOUIS SOUTHWESTERN RAILWAY CO.,
St. Louis, November 29, 1912.

HON. JONATHAN BOURNE, Jr.,
Washington, D. C.

DEAR SIR: I have to acknowledge receipt of your letter of September 11, 1912, inclosing a copy of Senate bill 7371, and requesting views upon three specific inquiries on the subject of railway mail pay, which, with answers thereto, are contained in a memorandum attached.

The real issue is whether the railroads are overpaid or underpaid for mail transportation. The railroads have been protesting, since 1907 particularly, that they were underpaid, and that reductions of about \$8,000,000 per annum made in that year were unjust to them, and that some form of adjustment should be made.

The Senate Post Office Committee Report No. 955, Sixty-second Congress, second session, July 23, 1912, page 25, which accompanied the Post Office appropriation bill, stated that "the committee is of the opinion * * * that the rates are excessively high."

This view, presumptively, is founded upon the report of the Postmaster General, Document No. 105, wherein he purports to show that the railroads are overpaid

\$9,000,000 per annum, which might be saved by enactment of a bill proposed by him and introduced by your committee as Senate bill 7371.

There is no proof in his report that the railroads are overpaid; on the contrary, even superficial analysis explodes any such theory, because the methods employed in making his deductions are fatally in error and fortunately easily demonstrated.

His first serious error is in overlooking the right of railroad property or capital to earnings, which is a recognized primary and constitutional factor in all rate cases.

This property is, of course, of enormous value, as follows (I. C. C. Report, 1910):

Represented by funded debt.....	\$10,303,474,858
Stock.....	8,113,657,380
Total.....	18,417,132,238

This represents the plant, which, of course, must exist to enable the railroads to perform mail and other transportation services. It is almost too apparent to allude to the effect of such a policy. If applied generally to railroad or any business it would, of course, bankrupt and destroy them.

His second serious error consists in arbitrarily and erroneously cutting out millions of car-foot miles used directly or incidentally in performing mail service, as reported to him by the railroads in the reports he used and changed to the extent of approximately 28 per cent. As the proportion of car-foot miles is the essential and material factor in his calculations, his erroneous action in not only cutting out such mail car-foot miles but changing the same instead to passenger car-foot miles is fatal to any theory that the railroads are overpaid.

His third serious error is in dismissing without any consideration, either as to costs or compensation, the extensive and valuable service rendered by the railroads in performing what is commonly known as "messenger service," and which is the carrying of mails between the railroad stations and the post offices where the latter are within one-quarter mile of the station. This is not a natural function of the railroad company, because it does not handle passengers, baggage, freight, or express beyond its station property, but is an extra service which the railroads perform, and saves the Post Office Department from employing 30,000 to 40,000 contract messengers, and which saving former Postmaster General Meyer reported to the Senate committee amounted to \$4,393,000 per annum. A service of so great value is ignored in treating railway mail pay generally and in the calculations made in Document No. 105.

It is obvious that the railroads are not overpaid, as that document indicates, and no foundation exists for such opinions which may be based thereon. On the contrary, the reports which the Post Office Department required of the railroads demonstrated that they were very greatly underpaid for mail service—perhaps best illustrated by figures which the Postmaster General does not appear to have submitted in his report, namely: That mail space earned only \$3.23 per thousand car-foot miles, whereas the passenger space earned \$4.42 per thousand car-foot miles. This indicates underpayment to the railroads of over \$16,000,000 per annum, according to figures compiled by the committee on railway mail pay.

Unfortunately and prejudicially to their interests and justice there has always seemed to exist a feeling that the railroads were paid excessively for carrying the mail. Such views have not been founded upon any competent inquiry but upon mere assertion. It has been no uncommon thing to notice newspaper items asserting it and having the effect of creating public sentiment in that direction when there has been nothing substantial in the way of official evidence to support such assertion.

The annual amount of railway mail pay has only seemed large and attracted attention, because it represented the largest single item in the Post Office appropriation bill, and without full consideration of the immensity of the service rendered by the railroads receiving it, not only in the transportation throughout the year on all the railroads, and practically on all of the train service of the country, but in hauling post offices in addition on this mileage, for the distribution of the mail while it was in transit, and for the performance of other incidental services.

The Government collected, in 1910, \$224,128,637.12 in postage, yet for the above service by the railroads only paid \$49,405,311.27, while on the other hand, it paid over \$170,000,000 for the function of collection and delivery of that mail and the administration of the postal service. In other words, the railroads received about 22 cents out of the dollar the Government collected in postage for the transportation of the entire mail, whereas, the Government used about 78 cents for collection, delivery, and administration.

In the past 10 years, the amount paid the railroads in proportion to postal revenue has been very steadily decreasing from 34 to 22 cents per dollar, while the collection, delivery, and administration cost during the same time has increased from 66 to 78 cents per dollar. There is nothing in these facts to support any theory of over-

pay to railroads. In reality, railway mail pay, instead of representing a large proportion of railroad revenue, is indeed very small. In 1910 it only amounted to 1.78 per cent of gross revenue, while the roads had to depend upon freight, passenger, and express business for 98.22 per cent of revenue. The railway mail pay does not even equal one-half of the taxes alone which the railroads pay.

The only thorough inquiry previously made on the subject of railway mail pay was by the commission of 1898, which, after two years' study, and voluminous testimony, reported as follows:

"Upon a careful consideration of all the evidence and the statements and arguments submitted, and in view of all the services rendered by the railways, we are of the opinion that 'the prices now paid to the railroad companies for the transportation of the mails' are not excessive and recommend that no reduction thereof be made at this time." (52d Cong., 2d sess., S. Doc No. 89, pp. 19, 22, 25, 29.)

It demonstrated then that there was no foundation for the sentiment of overpay that existed, based upon mere assertion, and which culminated in the appointment of the commission. Notwithstanding, a further agitation of the subject arose in 1907, with disastrous, and, as we believe, decidedly unjust results to the railroads.

Congress had the subject before it, and by act approved March 2, 1907, reduced the railway mail pay \$2,723,000 per annum, cutting the pay on weights and full postal cars. No sooner, however, was this done, in fact on the day the act was signed by the Executive, the Postmaster General issued Order 165, commonly known as the "divisor order," which cut the railway mail pay \$4,941,000 per annum more than Congress, by its own action at that time, regarded as justifiable.

The railroads have been protesting this double method of reduction from two sources was decidedly unjust and far beyond the wishes and action of Congress at that time.

Instead of a reduction of \$2,723,000 per annum, designed by Congress, an actual reduction of \$7,664,000 has been made. Included in the reductions made by Congress was a cut in the pay of full postal cars, which at that time were of wooden construction. Since then not only has Congress required the reconstruction of the wooden cars to standards, but at the last session provided for their retirement and replacement by all steel equipment, and without any provision whatever for compensation to the railroads—certainly the higher class of equipment required—and the expense of substituting it for wooden cars, which must be abandoned, for a sufficient businesslike basis for a restoration of the rates that were in effect prior to the cut of 1907.

It is hoped the commission, of which you are chairman, will recommend a restitution to the railroads of these reductions in the form of an annual weighing, pay for mail apartment car space, and compensation for messenger service.

The fairness of such action is especially emphasized at this time, by the inauguration of the parcel post on January 1 next, which apparently will increase the volume of mail, and for which no provision in the way of compensation has been made to railways, although such provision has been made to increase the pay of rural carriers, star-route carriers, and messenger service.

The principal service in connection with parcel post will be that performed by railroad companies in its transportation over the immense mileage of the country, and the justice of an equitable method of pay will, no doubt, appeal readily to every Member of Congress, as it can not be expected that it will be transported by the railroads for nothing while the Government is collecting a revenue thereon, and considering that the railroads at the present time are being compensated for its transportation as express.

The Post Office Department, as a result of the complaints of the unjust reductions in 1907, called upon the railroads for information and statistics on forms which it had sent out. The railroads, with the object of assisting in collection of the data, correctly and promptly designated a committee on railway mail pay to assist and to study the results.

The committee, on behalf of the roads, has answered the three inquiries contained in your letter, in which views I fully concur.

For convenience, there is attached a copy of the questions and answers thereto submitted by the committee.

Yours, very truly,

F. H. BRITTON,
President and General Manager.

SUSQUEHANNA, BLOOMSBURG & BERWICK RAILROAD Co.,
Watsonstown, Pa., October 12, 1912.

Mr. JONATHAN BOURNE, Jr.,
Washington, D. C.

DEAR SIR: Referring to your recent letter, accompanied with Senate bill 7371, upon the subject of determining compensation to be paid railroad companies for the transportation of United States mail.

We have read over the bill carefully and also your letter upon the subject. It recalls to us a former communication addressed to Mr. Joseph Stewart, Second Assistant Postmaster General, Post Office Department, Washington, D. C., dated January 22, 1910. This letter was accompanied with statements in detail, showing the cost to this company for carrying United States mail.

I may say that our mail route is short, viz, 22.7 miles. Our passenger train consists of one compartment car for mail and baggage and one passenger coach. The baggage end of the compartment car is used daily for baggage, express, and local freight. The mail compartment is used exclusively for United States mail and a mail clerk.

At the time the above-mentioned letter was written to Mr. Stewart it was upon his request that we furnish the information covering one month's period, viz, from midnight, October 31, to midnight, November 30, 1909. Conditions at the present time do not vary much from that date. This estimate was worked out upon a per square foot of floor space basis, covering the distance mails were carried, and includes all items which we consider properly chargeable to the mail portion of our business. These figures show that it cost this company for the month of November, 1909, \$182.10 for the mail-carrying portion of our business. We received from the Government for this service \$97.93. It will be noticed, therefore, that this service is being handled by our company at a loss of nearly \$100 per month, figured upon the exclusive use of the floor space necessary to handle the mail.

We believe this estimate to be not far from correct, and if this is true there is no doubt we are much underpaid for the mail service on our line.

Conditions, no doubt, vary considerably upon different lines and a rate for compensation that might suit here may not fit the conditions elsewhere. From lack of better information I would hesitate about expressing an opinion as to fixing upon a uniform rate to cover all cases, and we therefore believe it proper to confine our views to conditions and facts on our line as we find them. Our opinion is that we should receive for the mail service on our line actual cost, as already worked out, plus 25 per cent—or in other words \$227.62 per month for the service, as it is now performed on mail route 110166 on our line.

For the above reasons we wish to reply to your inquiries as follows:

(1) Do you deem the present plan of compensation an equitable one as between the Government and the railroads? If not, in what respects and as to what classes of railroads is it inequitable?

Answer. No, sir.

(2) Is the underlying principle of the plan embodied in the inclosed bill a proper basis for compensation? If not, wherein is it improper, and why?

Answer. I hardly think so, for reasons explained in the accompanying letter.

(3) What in your opinion is a desirable plan for compensating railroad companies for transporting the mails?

Answer. Owing to the variations in the character of the service between long and short lines, I believe a fair basis upon which to adjust rates for carrying the United States mail to be as we have previously worked it out, viz, ascertain as nearly as possible the actual cost, to which should be added a fair remuneration for the railroad company, and we do not believe 25 per cent of the cost to be out of the way.

We make this suggestion for the reason that all materials, repair work, renewals, etc., we purchase carry with them profits of approximately 25 per cent above the actual cost of producing such articles.

For your information I beg to inclose herewith copy of our letter, dated January 12, 1910, addressed to Mr. Joseph Stewart, Assistant Postmaster General, and statement of cost of handling mail route upon our line No. 110166, made up on Post Office Department form 2603.

I wish to call attention to a point mentioned in this letter which we discovered after sending it, viz, the last 14 words in the letter on the last two lines should have been omitted, and the letter ended with the word "Millville." We included in our estimate (copy attached) 7 per cent of the general office and clerks' expenses as applied to mail service. This, however, does not alter the figures in estimate.

Yours, truly,

S. B. HAUPT,
President and General Manager.

[Form 2603.]

Name of system reporting: Susquehanna, Bloomsburg & Berwick Railroad Co.
Railroad mail route covered by the system, 110166.

Train mileage of passenger traffic (covering all passenger and baggage, express, and mail service), 4,576.

Car mileage of all passenger equipment (including all cars, passenger and baggage, express, and mail), 9,152.

Total revenue received from passenger traffic (not including mail and express).....	\$1, 067. 64
Total revenue from express service.....	36. 12
Total revenue from mail service.....	97. 93
Total operating expenses (including passenger, mail, express, and freight).....	9, 656. 04
Total passenger operating expenses, covering all passenger and baggage, express, and mail service.....	1, 279. 10

Assignable expenses.

Fuel for locomotives.....	248. 75
Repairs to passenger cars.....	20. 00
Locomotive repairs, one-seventh of total.....	88. 15
Oil, tallow, and waste, one-fifth of total.....	7. 17
Fuel for coaches, estimated. Heated by locomotive and included in locomotive consumption.....	25. 00
Taxes on gross receipts.....	8. 54
Wages of enginemen, conductor, baggageman, and watchman.....	316. 00
Man carrying mail at Watsonstown.....	5. 00
	<hr/> 716. 61

Proportion of nonassignable expenses.

5 per cent on value of passenger equipment, \$10,795.37.....	44. 98
Proportion of—	
Maintenance of roadway, 7 per cent.....	216. 50
Superintendence, 7 per cent.....	7. 70
Station agent, 7 per cent.....	29. 97
General office, 7 per cent.....	24. 50
General office clerks, 7 per cent.....	12. 95
General expenses, 7 per cent.....	8. 24
Stationery and printing, estimated.....	2. 50
Water rent, one-fifth of total.....	9. 95
Interest on mortgage, 6½ per cent.....	189. 60
Taxes on capital stock, 6½ per cent.....	15. 60
	<hr/> 562. 49

WATSONTOWN, PA., January 12, 1910.

JOSEPH STEWART, Esq.,
*Second Assistant Postmaster General,
 Post Office Department, Washington, D. C.*

DEAR SIR: Your favor of November 22, accompanied with inclosures, including blank forms, letters of instruction, etc., relating to receipts and expenditures of railroads for carrying United States mail, came duly to hand.

We have recently closed our figures showing general operating expenses and gross receipts for the month of November, so that we are now able to work up such data as we hope may be satisfactory for the information you desire.

We find it difficult to separate the cost of carrying the mails from the total cost of operating the passenger train absolutely. Our regular passenger train is made up of one coach and one combination car.

Seventeen feet of the combination car is used for United States mail purposes, including mail clerk. It may be proper to calculate on the use of 12 feet of the combination car only, that being the length specified as being absolutely necessary by the post-office authorities. The reason we use 17 feet is because the car came to us that way and we did not wish to alter the partition.

While we have endeavored to give the information in full as called for in your blanks, we desire to add some additional information throwing light upon the subject from another standpoint. The total floor space of our passenger train, including one coach and one combination car, is 806 square feet. Of this, 110 square feet are used exclusively for United States mail purposes.

The total cost of operating our passenger train for the month of November, 1909, was \$1,279.10, as you will note in statement. This makes the cost per square foot \$1.59.

Figuring upon this basis we would find the cost of handling the United States mails for the month of November as follows:

110 square feet used in mail compartment car at \$1.59 per square foot.....	\$174. 90
Messenger for carrying mail at Watsonstown, \$5 per month.....	5. 00

Time of agents, Ottawa, Strawberry Ridge, and Millville, occupied in handling mails..... \$2.20

This would make the total cost for handling the mails for the month of November \$182.10. For this service our company receives from the Government \$97.93 per month.

The above figures do not include anything for the hauling of the mail clerk four times daily between Watson town and Millville or the time given to the service by the management and general office clerks.

Yours, truly,

S. B. HAUPT, *General Manager.*

UNITED VERDE & PACIFIC RAILWAY CO.,

Jerome, Ariz., September 20, 1912.

HON. JONATHAN BOURNE, Jr.,

Washington, D. C.

DEAR SIR: In reply to your letter of September 11, relative to S. 7371, I beg to state that in my opinion this bill is grossly unfair and would work a very considerable hardship on railroads. The question is undoubtedly a very complicated one and should, I believe, involve equations other than the mere cost of transportation plus a 6 per cent profit thereon. Under the regulations of this bill no account seems to be taken of the cost of equipment and other facilities, nor the revenue haul displaced by mail and mail equipment unless, of course, these phases would be taken into consideration by the Post Office Department in determining cost of handling mail.

A railroad company should not be expected to sell its transportation, even to the Government, at a loss, nor at anything but a reasonable and just profit. In determining such profit not only the cost of the actual equipment used in the Railway Mail Service, together with the operating expense should be used, but that proportion of cost of motive power, track, and other facilities which mail equipment bears to all other equipment, should be capitalized and the resulting figure computed in the expense of operating mail. While these matters may be taken into consideration under the terms of the inclosed bill I do not deem these terms sufficiently explicit, and in order definitely to provide for such consideration I believe the bill should so state in plain and unmistakable language.

I believe also that short line railroads should be allowed a higher minimum than \$25 per mile per year; especially should such allowance be made on mountain roads, where only limited tonnage can be handled and where operating and maintenance expenses are very high. Not only should cubic space of mail actually handled be considered, but cubic space required for possible necessities should be taken into consideration, and a fair and reasonable return made accordingly.

Rates based on average operating costs and figured accordingly on a mileage basis are inherently wrong. Every rate made should be based on individual characteristics with, of course, sufficient leeway to meet competition and other local conditions. Mail contracts should be given little consideration.

Yours, truly,

WILL L. CLARK, *Second Vice President.*

VIRGINIA-CAROLINA RAILWAY CO.,

Abingdon, Va., September 14, 1912.

Senator JONATHAN BOURNE, Jr.,

Washington, D. C.

DEAR SIR: Your circular letter 11th, asking opinion on bill 7371.

I have read the bill, but it is so drastic and autocratic that it is almost less majestic to criticize it. The first difficulty is to find the actual cost of carrying the mail. The greatest experts in the world have never been able to properly figure the cost of transportation. Especially difficult will it be to find the actual cost of moving under the special requirements of standard metal cars, depot space, room for post-office employees, etc., required in addition to the actual transportation.

The movement over the larger lines could, no doubt, be discussed by the managers of those lines much more ably than I could after extended study. Ours is a short line, and the compensation received by such line is entirely inadequate. I do not doubt but that very many of the short lines, like ourselves, would rather be without the mail than to have to handle it as at present.

In the first place the arbitrary rate is unremunerative and in the second place the requirement of short lines to deliver the mail pouches to the various post offices along the line within the limit of 40 rods for intermediate points and to terminal points, whatever the distance.

It seems to us that, in all justice, the compensation to such short lines should be increased, and they should be relieved from this burden of delivering to the post offices.

Yours, truly,

W. E. MINGEA,
President and General Manager.

VIRGINIAN RAILWAY CO.,
Norfolk, Va., October 24, 1912.

HON JONATHAN BOURNE, Jr.,
Washington, D. C.

MY DEAR SIR: I beg to present for your consideration the following reply to the inquiries made in your letter of September 11, 1912, viz:

Question 1. Do you deem the present plan of compensation an equitable one as between the Government and the railroads? If not, in what respects and as to what classes of railroads is it inequitable?

Answer. The present plan of compensation is not fair to the railroads.

(1) On account of the great length of time elapsing between weighing periods. There should be at least annual instead of quadrennial weighing, and there should also be a definite and fair method for ascertaining the daily average weights. Under the present four-year period of weighing, the railroads carry a certain quantity of mail a great portion of the time without any compensation.

As a case in point: The weighing of the mails on the Virginian Railway took place before the road was fully connected up and in operation. On short portions of the line only was there any train service. The company protested against the unfairness of rating its pay from the Government for four years in the future upon weighings made upon detached portions of the road. No attention was paid to our protests, and the injustice has been continued.

(2) On account of insufficient compensation, or allowance, for the maximum space demanded by the Government for postal-car accommodations; that is to say, pay is not allowed for all the space demanded. The recently enacted parcel-post law will mean greater injustice to the railroads under the present method of compensation for the average weight carried, instead of pay for the maximum space demanded.

(3) On account of requiring the railroads to perform unusual service without any pay therefor; we refer to side and terminal messenger service. The railroad is certainly entitled to proper compensation for work of this kind performed for the Post Office Department. The establishment of the parcel post will add to the burden.

(4) On account of the use of a wrong divisor, the latter having been changed unjustly.

(5) Laws have been enacted requiring steel postal car equipment, resulting in increased operating expenses for the railroads, while at the same time the compensation for carrying the mail has been reduced. This is not fair nor reasonable.

Question 2. Is the underlying principle of the plan embodied in the inclosed bill a proper basis for compensation? If not, wherein is it improper, and why?

Answer. The underlying principle of the plan outlined in Senate bill No. 7371 is not correct. A plan based upon operating cost and taxes, with 6 per cent added, can not be considered right, there being no allowance for the property employed. It would penalize the railroads which have the higher physical condition and which give the most efficient and valuable service to the Post Office Department.

Question 3. What, in your opinion, is a desirable plan for compensating railroad companies for transporting the mails?

Answer. Amend the existing law in a way that would correct serious inequalities now existing, some of which have been mentioned in our answer to question 1, and then place upon the same a fair interpretation in its administration on the part of the postal authorities.

Very respectfully, yours,

RAYMOND DU PUY.

WABASH, CHESTER & WESTERN RAILROAD,
Chester, Ill., September 14, 1912.

HON. JONATHAN BOURNE, Jr.,
Washington, D. C.

DEAR SIR: Your favor 11th with copy of Senate bill 7371 received and noted.

Any legislation proposed by Mr. Hitchcock for payment to railroads for carrying mail can safely be condemned without reading. He is notoriously unfair and unreasonable.

The treatment the small roads have received by the Post Office Department for many years has been a disgrace and stamps the officials in charge as not only unfair and unreasonable but absolutely dishonest.

For the treatment this company has received I refer you to the testimony taken by the House Committee on Post Offices and Post Roads, of Sixty-first Congress (I think it was). As for requiring such roads as this to provide steel cars is absurd. This road does not make operating expenses and taxes. It has to be content with second-hand equipment, discarded by other companies. It can not afford new wood cars, let alone steel cars, of the Government specifications. Seventy-five dollars per mile is the minimum such roads should be allowed, and even that would barely pay cost of the service rendered. They should also be exempt from delivering mail to post offices at terminals and at stations.

No other freight is delivered to patrons, and this is a discrimination that should be unlawful.

Yours, respectfully,

C. B. COLE, *President.*

CHESTER, ILL., *October 9, 1912.*

HON. JONATHAN BOURNE,
Washington, D. C.

DEAR SENATOR: I am in receipt of a copy of letter written you by the committee on railway mail pay of the American Railway Association, which I heartily indorse, referring to the proposed bill for regulation of railway mail pay. While this answer refers in a general way to the objections of the railroads in general, it does not put the case as strong as it should be on the part of the short lines. They should have special consideration, which I trust will be fully brought out in the hearings I assume will be held sometime this next winter.

Yours, respectfully,

C. B. COLE, *President.*

WABASH RAILROAD,
Chicago, September 17, 1912.

HON. JONATHAN BOURNE,
Chairman Senate Committee on Post Offices and Post Roads, Washington, D. C.

MY DEAR SIR: Your letter of September 11, inclosing copy of Senate bill 7371, embodying a plan recommended by the Post Office Department for determining compensation to be paid to railway companies for transportation of mails, has come duly to hand.

The receivers desire to aid to the extent of their ability in the general discussion of this question; in fact, we have worked up a good deal of data along this line and have supplied it to a joint committee under whose jurisdiction has been placed the responsibility of supplying full information to your honorable body. I do not understand that you have any objections to our presenting the data in this manner.

Yours, very truly,

F. A. DELANO, *Receiver.*

WHITE DEER & LOGANTON RAILWAY CO.,
Sunbury, Pa., September 13, 1912.

HON. JONATHAN BOURNE, JR.,
Washington, D. C.

MY DEAR SIR: Replying to your letter of the 11th, we are operating a narrow-gauge railroad of 25 miles from White Deer, Pa., to Loganton, Pa., and owing to our limited experience do not feel that we can give a full answer to your questions.

We wish to suggest that for small roads like ours, operating in sparsely settled territory where traffic is not heavy, the maximum provision, on page 2 of Senate bill 7371, of \$25 per mile would be a hardship, and we beg to ask that you consider the matter of some adjustment of compensation for service furnished such as by our line that will authorize a compensation such as would enable the roads to maintain the service, and think page 4, \$42.50 per mile, would be a minimum in such cases.

Yours, truly,

CHARLES STEELE, *General Manager.*

YOSEMITE VALLEY RAILROAD CO.,
MERCED, CAL., September 23, 1912.

Senator JONATHAN BOURNE, JR.,
Washington, D. C.

DEAR SIR: I have your letter of September 11, addressed to our president, Mr. F. G. Drum, which has been referred to us for reply.

(1) I do not deem the present plan of compensation equitable for all roads and under all conditions. In our own case our road was built through practically virgin country and of course the mail carried was very light, but we have developed the business and

it is rapidly increasing each year and some arrangement should be made on roads of this character where more frequent weighing and adjustment could be had.

Furthermore, our business is greatest during certain months in the year and at the time that the mail is weighed does not cover any of the months in which our business is greatest, consequently we do not receive proper compensation for the mail we carry.

(2) The underlying principle of the plan embodied in the bill is correct, but should be elastic enough to meet special cases and conditions such as nearly all small roads and new roads have to contend with.

Yours, truly,

O. W. LEHMER.

YREKA RAILROAD CO.,

Yreka, Siskiyou County, Cal., November 8, 1912.

MR. JONATHAN BOURNE, JR.,

Washington, D. C.

MY DEAR SIR: I have your kind favor of September 11, 1912, with reference to proposed Senate bill 7371, as regards compensation of railroad companies for handling the mails. I beg leave to address a few remarks to you as regards our views in the matter, which, of course, cover our particular case, as we are situated quite differently than the larger roads and, perhaps, some of the smaller roads. We feel that the present compensation for the services performed is wholly inadequate, and in the event of establishing a \$25 per mile maximum revenue, as provided in this bill, such a rate would be confiscatory on our part.

I do not quite understand just how the matter of mileage is arrived at on this proposed basis. Presume, however, it would be based on the round-trip mileage on this road, account service rendered both ways. In this event, our mileage being 7.50, we could not claim over 15 miles for the double service, which would amount to a maximum of \$325 for the year's service. Yreka is a terminal post office, and we are compelled to transport the mail from our depot to the post office, approximately one-half mile distant. The mail transported by team includes the Yreka mail, as well as the mail for 19 tributary post offices which goes through that office.

This mail approximates 14,000 to 16,000 pounds monthly, and, taking into consideration the mail delivered from the post office to the depot here in Yreka, we are called upon to handle approximately 20,000 pounds of mail by wagon each month, besides deliveries three times daily at Montague post office and handling at Yreka and Montague stations and transporting over our line, 7.50 miles each way three times daily. For this service we are allowed \$46.21 monthly, not deducting any fines the postal department may feel disposed to impose upon us. Mr. H. Schock, who has been in the dray business here ever since the road was first established, has transported the mails between the depot and the Yreka post office by handcarts and team.

This has been for the past 25 years. For this service he was started off with a monthly compensation by this company of \$10, and at the present time is being paid only \$12.50 per month. On account of the great increase of all mail during the past few years, additional labor is involved, and Mr. Schock is becoming very much dissatisfied with the present arrangement, as he states it does not pay him for the time of man and team it takes to do the work. This, of course, you realize includes Sundays as well as other days, and he oftentimes has a full load of mail, account Sunday being one of the heaviest days. While his compensation has been extremely small considering the service rendered, he realizes we are not in a position to help him much at our present compensation, and his desire to help us out in the past has caused him to handle the mail at a much less figure than we could possibly obtain from any other party.

Mr. Schock feels quite discouraged under present conditions and is considering quite strongly of throwing up the proposition unless he can get somewhere near a reasonable compensation for the service. He feels that he should be paid a minimum of \$30 monthly for this service, and we consider this a very fair and reasonable demand. Should we be compelled to pay this amount for this service without increased allowance from the postal department for this company, we would practically be giving the service for slightly more than 50 cents per day—a mere pittance. I do not believe my predecessor has ever brought this matter up with the department, as I feel quite certain that they could readily see that the compensation is wholly inadequate. It was my intention to take the matter up with them in the near future, and, receiving your letter, I concluded to place the matter before you as I have.

I feel for this service we should be allowed \$75 per month, which would enable us to pay Mr. Schock \$30 for his services, which is, indeed, a very reasonable charge. This amount would leave us a fair compensation for services performed, which, on the present basis or the one proposed, would be entirely too small for the services

rendered. I am giving you conditions as they now exist here and feel that some relief should be afforded us. At the present time we are receiving slightly more than \$1 per day for our services in this matter.

While I realize that your communication was not directed to us for the purpose of procuring a statement of our personal grievances in this mail matter, I have taken the liberty to put our case before you in such a manner that you may know our position in connection therewith. If there is any further information desired or suggestions you would like to make, I will be pleased to hear from you further.

Yours, very truly,

F. A. REISER,
Superintendent and Manager.

DATA ASKED FROM INTERSTATE COMMERCE COMMISSION.

In order to still further aid the joint committee in the inquiry with which it is charged and to secure the most competent judgment that might be had in regard thereto, I addressed the following letter to Hon. C. A. Prouty, chairman Interstate Commerce Commission:

JANUARY 3, 1913.

HON. C. A. PROUTY,

Chairman Interstate Commerce Commission, Washington, D. C.

MY DEAR SIR: Under the provisions of an item in the Post Office appropriation act of recent session of Congress the Senate and House of Representatives have appointed a joint committee to make inquiry into the subject of compensation for the transportation of mail. This committee has not yet organized, but as a member of said joint committee and as chairman of the Senate Committee on Post Offices and Post Roads, and under authority of Senate resolution 56, I earnestly desire that the most competent judgment may be had in reference to the subject matter of the inquiry.

In order, therefore, to aid the joint committee in the inquiry about to be undertaken, I shall be pleased if your commission will have an analysis made showing the relative returns to the railroad companies for the different classes of traffic they handle, namely, passenger, freight, express, and mail, approximating as nearly as possible the expense to the railroads for handling such respective classes of traffic as compared with the earnings received by the railroads from such traffic.

In connection with the foregoing inquiry, attention is called to the fact that the Government for the fiscal year ending June 30, 1912, appropriated for the railway post-office car service \$5,010,000, of which \$4,426,144.16 was expended in that service, leaving an unexpended balance as of June 30, 1912, of \$583,855.54. Since there is an impression prevalent throughout the country that the Government would do better by owning and operating its own postal cars, I beg to inquire whether you can and will prepare a statement showing what, if any, saving to the Government could be effected by governmental ownership and operation of postal cars, taking into consideration cost and upkeep of same, covering maintenance, cleaning, duplicating, and allowance for depreciation.

If it is possible to comply with the above request, I shall be pleased to have you advise me when the information will be available for the use of the joint committee.

Yours, very truly,

JONATHAN BOURNE, Jr.

To this letter I received the following responses:

INTERSTATE COMMERCE COMMISSION,
Washington, January 4, 1913.

HON. JONATHAN BOURNE, Jr.,

United States Senate, Washington, D. C.

MY DEAR SIR: Replying to yours of January 3, 1913, in reference to inquiry into relative cost of handling mail, express, and passengers, permit me to say that I will lay your letter before my associates and write you further not later than Wednesday of next week. I do not think we have any figures from which any accurate information of the kind for which you asked can be obtained, certainly not any comprehensive information. This subject has been gone into in one or two cases as applied to individual railroads or localities.

Very truly, yours,

C. A. PROUTY, *Chairman.*

INTERSTATE COMMERCE COMMISSION,
Washington, January 7, 1913.

HON. JONATHAN BOURNE, JR.,
United States Senator, Washington, D. C.

MY DEAR SIR: Further replying to your letter of January 3, 1913, in reference to cost of handling mail matter in comparison with other passenger-train service. Having laid the matter before my associates, I am instructed to say:

First. The commission now has no figures from which the information asked for by you could be compiled. In one or two cases this matter has been incidentally gone into, but in so fragmentary and unsatisfactory a manner that we could not, upon the strength of what was there developed, express an opinion.

Second. The commission has no knowledge and no means of knowing the expense of maintaining and operating postal cars. Some time ago we sent to Congress some information as to the relative cost of maintaining steel and wood cars.

Third. The commission could, by means of an investigation to be instituted by it, probably give you information on both these points, certainly on the first point, which would be reliable, but such a proceeding would require several months, possibly a year, and would be somewhat expensive.

Awaiting your suggestion, I am, very truly, yours,

C. A. PROUTY, *Chairman.*

ORGANIZATION OF COMMITTEE.

As I have already indicated, the Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail did not organize immediately after the appointments were made, for the reason that the members went home on their summer vacations. Organization was delayed after the reconvening of Congress in December by the absence of several of the members. On January 6, 1913, I called the members together, at which time there were present:

Senators: Jonathan Bourne, jr., John H. Bankhead. Representatives: J. T. Lloyd, W. E. Tuttle, jr.

On motion of Mr. Lloyd the joint committee elected Senator Jonathan Bourne, jr., as chairman.

On motion of Mr. Lloyd the chairman was authorized to appoint a secretary and to employ such clerical, expert, stenographic, and other assistance as he deems necessary. The chairman announced the appointment of Mr. Robert H. Turner as secretary of the joint committee.

On suggestion of the chairman, Mr. Richard B. Nixon was appointed to act as disbursing officer of the joint committee.

DEPARTMENT MODIFIES ITS PLAN.

In order that I might bring out the points of difference and a possible satisfactory adjustment thereof between the parties interested, viz, the Post Office Department and the railroad companies, I arranged for a conference of individuals representing the conflicting interests. This conference was held in my committee room on Monday, December 30, 1912, prior to the organization of the committee, Hon. Joseph Stewart, Second Assistant Postmaster General, appearing as the representative of the Post Office Department, and Mr. Ralph Peters, president of the Long Island Railroad Co. and acting chairman of the committee on railway mail pay, Mr. W. A. Worthington, assistant director of maintenance and operation, Union and Southern Pacific Systems, and Mr. V. G. Bradley, general supervisor

of mail traffic, Pennsylvania Railroad Co., appearing as the representatives of the railroads. At this conference it was suggested by Mr. Stewart that the Post Office Department was willing to make certain concessions to the railroad companies by modifying in certain particulars the position taken by it in House Document No. 105, and as expressed in S. 7371, heretofore referred to. Influenced by this suggestion, I, as chairman of the joint committee, addressed the following letter to the Postmaster General:

JANUARY 6, 1913.

HON. FRANK H. HITCHCOCK,
Postmaster General, Washington, D. C.

MY DEAR GENERAL: Referring to telephonic conversation had with you several days ago, in which you stated that the department was willing to make certain concessions to the railroad companies in the matter of railway mail pay by modifying the position taken by it in House Document No. 105 and as expressed in the pending bill, S. 7371:

As I understand it, while approving in general the plan outlined in House Document No. 105, you are now prepared to recommend certain modifications of that plan in these particulars, to wit:

First. That the Interstate Commerce Commission instead of the Postmaster General be authorized to make the primary separation between passenger and freight business.

Second. That in the matter of car space the railroad companies be credited with the maximum space in both directions.

Third. That in addition to a compensation of 6 per cent of the operating expenses the railroad companies, after an apportionment, be credited with a reasonable percentage of the capital employed in and relating to the Railway Mail Service.

The joint committee organized this morning and is anxious to have you indicate in writing at the earliest possible date your recommendations modifying the plan as outlined in House Document No. 105, with your reasons therefor.

As prompt a response as the nature of this request will permit is desired.

Yours, very truly,

JONATHAN BOURNE, JR.,
*Chairman Joint Committee on Postage on Second-Class Mail Matter
and Compensation for the Transportation of Mail.*

To this letter I received the following response:

POST OFFICE DEPARTMENT,
OFFICE OF THE POSTMASTER GENERAL,
Washington, D. C., January 9, 1913.

HON. JONATHAN BOURNE, JR.,
*Chairman Joint Committee on Postage on Second-Class Mail
Matter and Compensation for the Transportation of Mail.*

MY DEAR MR. CHAIRMAN: Referring to your letter of the 6th instant, regarding certain proposed modifications of the general plan outlined in House Document No. 105 for readjusting railroad mail pay, I have the honor to state that I am willing to recommend the following in connection therewith:

First. That the Interstate Commerce Commission, instead of the Postmaster General, be authorized to make the separation of operating expenses between passenger and freight services.

Second. That in computing the car-foot miles the mail service shall be charged in both directions for a line of railway post-office cars with the maximum space authorized in either direction.

Third. That in addition to the operating expenses and taxes apportionable to the mail service and 6 per cent thereof, companies may be allowed such additional amounts, if any be necessary, as shall render the whole a proper proportion of a fair and reasonable return on the value of the property necessarily employed in connection with the mail service.

Such modification of the phraseology of the proposed law as may be necessary to effect these changes will be prepared as early as practicable.

Yours, very truly,

FRANK H. HITCHCOCK,
Postmaster General.

DEPARTMENT'S REPLY TO RAILROADS.

On November 30, 1912, I submitted to the Post Office Department all answers received from the railroad companies to my circular letter of September 11 and asked that the Second Assistant Postmaster General, on behalf of the department, furnish the committee his views in reply thereto. Under date of January 17, 1913, the Postmaster General addressed a letter to me as chairman of your joint committee submitting, on behalf of the Post Office Department, a memorandum prepared by the Second Assistant Postmaster General. Although dated January 17, 1913, this letter was not sent to me by the Postmaster General until noon, January 22.

This letter and memorandum read as follows:

POST OFFICE DEPARTMENT,
OFFICE OF THE POSTMASTER GENERAL,
Washington, D. C., January 17, 1913.

HON. JONATHAN BOURNE, Jr.,

*Chairman Joint Committee on Postage on Second-Class
Mail Matter and Compensation for the Transportation of Mail,
Congress of the United States.*

MY DEAR MR. CHAIRMAN: I hand you herewith a memorandum prepared by the Second Assistant Postmaster General on behalf of the Post Office Department in reply to a statement entitled "Mail Carrying Railways Underpaid," prepared by the committee on railway mail pay, representing certain railway companies carrying the mails, and submitted to the Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail, and received by the department from you informally with request for a reply.

Yours, very truly,

FRANK H. HITCHCOCK,
Postmaster General.

MEMORANDUM ON BEHALF OF THE POST OFFICE DEPARTMENT IN REPLY TO A STATEMENT ENTITLED "MAIL-CARRYING RAILWAYS UNDERPAID."

POST OFFICE DEPARTMENT,
SECOND ASSISTANT POSTMASTER GENERAL,
Washington, January 17, 1913.

The pamphlet *Mail-Carrying Railways Underpaid*, a statement prepared by the committee on railway mail pay representing the larger number of the railway companies in the United States carrying the mails and submitted to the Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mails, and received by the department from chairman thereof with request for a reply, has been carefully examined and the statements analyzed. A reply will be made in this memorandum to the arguments advanced and attention will be called to the important erroneous statements found in the claims of the pamphlet.

The purpose of the pamphlet is stated to be to show that the department's estimate of cost to the railroads for carrying the mails is far below the real cost and that the department's figures and calculations when analyzed and supplemented demonstrate that the mail service has not been fairly remunerative to the railroads. The statements advanced to support these propositions are specifically set forth in the pamphlet, but are preceded by a general claim in the following language:

"Railway mail pay is about to be forced still further below the level of just compensation, unless payments are promptly readjusted, on account of the additional volume of mail that will result from the inauguration, on January 1, 1913, of the parcel post" (p. 3).

With regard to this, the department grants the contention of the railroads that they should receive additional compensation for the increased weight of mails they will be required to carry under the operation of the parcel post.

The Postmaster General has recommended to Congress that in the event that the legislation proposed in Document No. 105 be not passed he be authorized to weigh the mails on all railroad routes in the fall of 1913 for a period of not less than 30 successive working days and to readjust compensation on the routes from the date of commence-

ment of such weighing. Recommendation has also been made for the additional amount of appropriation necessary. It is proposed that the readjustments of compensation, if the authority be granted, shall continue until the commencement of the next regular contract term in each section, subsequent weighings and readjustments to conform to the present practice of weighing each section once in four years.

It is believed that the plan recommended is an equitable one and eminently fair to the railroads. It has been suggested that by a weighing in the fall and an adjustment from the date of the commencement of the weighing period, the companies will receive no compensation for parcel post mails carried from January 1, 1913, to the weighing period. The fact should not be overlooked that, on account of the impracticability of weighing the parcel-post mails separately and adjusting therefor alone, the companies will receive compensation for the increase in other mails for periods of six months, one year, one and one-half years, two and one-half years, and three and one-half years, according to the section, which they would otherwise not receive until the regular contract term began in each section. In other words, in the New England States, in the first section, the railroads would receive the additional compensation accruing from one year's increase in the other mails for nearly the entire four-year period; in the remainder of the first section they would receive compensation for six months' increase for nearly the same period; in the second section they would receive compensation for one and one-half years' increase in the mails for nearly three years; in the third section they would receive pay for two and one-half years' increase in other mails for nearly two years; and in the fourth section they would receive the pay for three and one-half years' increase in the other mails for nearly a year. It is thought that these additional amounts received will compensate for the failure to receive compensation for the parcel-post mails carried from January 1, 1913, to the date of such readjustment.

I.

The first statement in the pamphlet in support of the propositions advanced is as follows:

"The Postmaster General's erroneous assertion that the railways were overpaid 'about \$9,000,000' in the year 1909 rests primarily upon his adopting an unprecedented theory which allows nothing for a return upon the capital invested in railway property" (p. 4).

In support of this the pamphlet advances an argument based upon a consideration of the entire operating expenses of all of the United States railways for a year, plus the taxes and 6 per cent upon the total, as compared with the total interest of the obligations on the funded debt of all of the United States railways for one year, plus rentals of leased properties for the same period, and shows that a return equal to the operating expenses, taxes, and 6 per cent would be insufficient to meet the interest obligations and rentals for the entire railroad service. The logic of the argument is that (1) the operating revenues should always be sufficient to meet operating expenses, taxes, interest on all funded debt, and rentals of leased properties, and that (2) the performance of mail service by the railroad companies for the United States shall be considered upon the same basis as their performance of service for the public. The department is not in a position to venture an opinion as to how far the question of interest on funded debt should enter into the consideration of rates, but it may be said that there are no authorities which have been found that propose the ascertainment of a rate purely upon this. In this connection the case of *Buell v. Chicago, Milwaukee & St. Paul Railway Co.*, heard before the Railroad Commission of Wisconsin, will shed much light. It is said on page 160 of the report as follows:

"Under normal conditions the owners of a railroad are entitled to a fair return upon a fair valuation of their property. This statement raises two questions: First, What is a fair rate of interest in such cases? and, second, What constitutes a fair valuation of the property involved? Both of these questions are so closely related to other questions and involve so many problems about which there is more or less dispute that any full or adequate discussion of each can not be entered upon here. At the same time it is necessary to call attention to a few facts which are more intimately connected with these questions.

"It has been quite generally held that a fair rate of interest is a rate which, other things being equal, corresponds to the current market rates on money. This is a position with which it is not easy to take issue, for it is quite clear that whatever rate money brings in the market is a safe index to what it is generally worth for investment purposes. It may also be said, and with a great deal of force, that a fair rate of interest for any particular road is the rate of income which its securities bring on their market value. The market rate includes the ordinary risks as it is usually considerably

higher than the rate which is obtained on Government and other securities where substantially no risks at all are involved.

"What constitutes a fair valuation of the plant? Is it the original cost of construction, the amount at which it is capitalized, the cost of reconstruction new, or the cost of reproduction up to its existing condition? The original cost of construction is an item that can not generally be ascertained except for relatively new roads. Most of the roads were built by construction companies whose records are not in existence, and then turned over to some other company at a different value than the original cost. Many of the roads are undergoing constant improvements; in fact, some of them have been almost entirely rebuilt since the time of their first construction. The original cost, as well as the amount that has been expended upon the plant to any given date, exclusive of the maintenance, are items that for these and other reasons can not be obtained, and which would probably be of little value if they could be had.

"The capitalization of the roads, or the bonds and stocks issued by them, in most cases falls short of being a fair index of a reasonable valuation. The main reason for this is found in the manner in which these securities are issued. The railroads are often both constructed and equipped by the proceeds obtained from the sales of its bonds, while the stock is often thrown in as a bonus. Again, bonds and stocks are often issued for other purposes than construction. Many roads, for instance, issue securities for the purpose of acquiring an interest in other roads, or in other property than that which can properly be considered as a part of their respective plants. At times the securities are sold at a discount and the bonds alone may often amount to more than the entire cost of the road. For these and other reasons the capitalization is subject to great variations. In some cases it may greatly exceed the amount actually invested, or what might be a fair valuation of the property. In other cases, again, it may correspond quite closely to the true value of the plant, or it may even amount to less than this value. From these facts it seems clear that the bonds and stocks which are outstanding may not represent what the roads are reasonably worth, and the amount upon which they are entitled to a fair return.

"The cost of reproduction has been suggested as the valuation that might be fair to all concerned. This cost includes the value of the right of way, yards, and terminals at two and one-half times the prices of adjacent real estate, or at some other price ratio. It also includes the cost of buildings and structures of all kinds, new, if constructed at current prices of material and labor. It further includes the labor and material at current rates for the construction of the road and its equipments, together with engineering, superintendence, legal expenses, cost of organization, cost of material on hand, freight charges on the material used, etc. In short, it includes every item of expense which would be involved in building the road to-day, including the interest on the investment during the construction period."

In States where public utilities commissions have jurisdiction over public service corporations other than steam railways practically a like rule of valuation in connection with rate making is observed. New York may be cited as an example. W. H. Lyon, in his work on "Capitalization—A Book on Corporation Finance," states, on page 242, in connection therewith, as follows:

"VALUATION OF PHYSICAL PROPERTY.

"Information about the method of valuing a corporation's physical property as a basis for rate making comes from two cases. Experts of the commission made an appraisal of all the property of the Bronx Gas & Electric Co. This included cost to reproduce and depreciation. The commission undertook similar appraisal work on the Kings County Electric Light & Power Co. It makes such appraisals either in connection with bond or rate cases or in anticipation of reorganization applications. The significance of a consideration of cost to reproduce and depreciation will be clear after a study of the methods of valuation the Wisconsin commission employs.

"VALUATION OF PROPERTY OTHER THAN PHYSICAL.

"In prescribing uniform accounts the commission orders that franchise accounts shall be charged only with the amount actually paid to the State for the right, exclusive of taxes. Furthermore, the corporation must amortize this amount during the life of the grant. It must similarly charge all other intangible assets at their actual money cost alone, and must amortize this amount during the life of the asset."

The second question, namely, as to whether the same rule as to rate of return for service performed shall apply for the United States as for the public, is one which is worthy of mature consideration and may be submitted to the congressional commission for determination.

In specific defense of the theory respecting the basis for rate upon which Document No. 105 was prepared and submitted to Congress it is only necessary to refer to the act of Congress under which the same was done. The act of March 3, 1879, chapter 180, section 6 (20 Stats. L., 355), provides as follows:

"The Postmaster General shall request all railroad companies transporting the mails to furnish, under seal, such data relating to the operating, receipts, and expenditures of such roads as may, in his judgment, be deemed necessary to enable him to ascertain the cost of mail transportation and the proper compensation to be paid for the same; and he shall, in his annual report to Congress, make such recommendations, founded on the information obtained under this section, as shall in his opinion be just and equitable."

It will be seen from the above that the statutes require the ascertainment of the cost of transportation and the proper compensation to be paid for the same.

Upon the further question of capitalization or basis of valuation the department had no information.

In order to thoroughly meet and consider this feature of the question consideration has been given to it since the preparation of Document No. 105, and the Postmaster General has signified his willingness to recommend that, in addition to the operating expenses and taxes apportionable to the mail service and 6 per cent thereof, companies may be allowed such additional amounts, if any may be necessary, as shall render the whole a proper proportion of a fair and reasonable rate on the value of the property necessarily employed in connection with the mail service.

III.

The second statement in the pamphlet in support of the propositions advanced is as follows:

"The mail service supplied by the railways costs them more in operating expenses and taxes than they are paid for it, and leaves nothing for return on the property" (p. 6).

In elaboration of this statement several positions are taken. The first is that the passenger-train services as a whole do not produce revenue sufficient to meet their fair proportion of the operating cost and the necessary return upon investment and that the mail service, being only a part of the passenger service and producing a less rate of gross revenue per car-foot mile is therefore unprofitable. In support of their contention the pamphlet alleges substantially (1) that it is the general belief of railway managers that the passenger revenues are insufficient to meet these items, and (2) that the rate of gross receipts per car-foot mile received for the mail service is 3.23 mills and for other services 4.35 mills.

With respect to the first the department has no information which would warrant a conclusion, and as to the second it is to be observed that the rates given by the pamphlet are rates computed by the railroad committee on railway-mail pay based entirely upon the companies' statistics as to car space and mail service performed unchecked and uncorrected by the department, which results in the ascertainment of a larger per cent of car-foot miles to the mail service than is justified by the corrected data. The department's figures show revenue from mail service of 4.14 mills per car-foot mile and for revenue from other services 4.16 mills per car-foot mile.

From these figures it will be readily observed that the discrepancy between the mail and other services comprising the passenger services alleged by the pamphlet does not exist to the extent claimed. Furthermore, the pamphlet in this connection raises the interesting question which the railroad committee on railway mail pay does not touch upon, namely, how the question may be affected by the fact that their operating revenues for all passenger services (of which the mail is only a small part) do not pay operating expenses, taxes, and a fair return on the investment, and apparently are not expected by the companies to do so.

The second position taken is that no merely statistical comparison can reveal the whole story, for the railways are required to furnish many incidental facilities and to perform many additional services for the Post Office Department which render the mail service exceptionally arduous and costly.

In support of this the pamphlet sets forth the requirements of the postal regulations and the practice of the department regarding the receipt and delivery of mails en route, supplying of rooms, etc.

In reply to this it may be said that with respect to the passenger service, as well, the railroad companies furnish very elaborate and extensive facilities for the accommodation, convenience, and safety of persons who patronize their passenger service.

It should not be overlooked, however, that whatever facilities may be furnished by the railroad companies for the mail service will, under the plan proposed by the Post Office Department, be paid for upon the basis proposed.

In this connection, on page 7 of the pamphlet there is a statement which seems to be fully in line with the purpose of the inquiry, reported in Document No. 105. This statement is as follows:

"The fairness of railway-mail pay can also be tested by apportioning operating expenses between passenger and freight traffic, and then making a secondary apportionment of the passenger expenses between mail and other kinds of traffic carried on passenger trains. This method involves charging directly to each kind of traffic all expenses pertaining exclusively thereto, and the apportionment, on some fair basis, of those expenses which are common to more than one kind of traffic."

This is the method which was substantially followed by the department.

However, the pamphlet states that the railway companies arrived at the conclusion by this method—that the operating expenses, not including taxes, for conducting the mail service, were \$4,009,184, as against the department's figures for substantially like mileage, \$2,676,503.75. It is to be observed from the statements of the pamphlet that in obtaining this result the railroads used the revenue train mileage for apportioning common expenditures for passenger and freight services, which, in the opinion of the authority consulted by the department, is not the best basis for such division in all cases, and used the percentage of car-foot miles made in the mail service for apportioning to the mail the passenger operating expenses, which was too high, because obtained by using the unchecked and uncorrected data before referred to. With respect to the use of revenue train mileage for the purpose named, the Wisconsin commission, in the case above cited, state as follows:

"The revenue train-mile is the unit of work done in hauling trains between terminals, and it is the most direct unit of cost. That is, the passenger revenue train mileage is the most direct unit of those expenses which depend upon the same, and the freight revenue train mileage is the most direct unit of those expenses which depend upon this mileage. This is an important distinction, for the passenger-train mileage differs materially in cost as well as in many other respects from the freight-train mileage. * * * They evidently assume that passenger and freight train mileage stand for substantially the same thing and that this is the proper unit of all expenses. Even a superficial analysis of the facts will show that this is not the case."

With respect to other statements subject to criticism set forth under this heading in the pamphlet, a discussion will be found under subsequent headings where they are more specifically referred to.

III.

The third statement in the pamphlet in support of the propositions advanced is as follows:

"The Postmaster General's apportionment of space between the mail service and the other services rendered on passenger trains did not allow to the mails the space which they actually require and use and this had the result of unduly reducing his estimates of the cost to the railways of the mail service" (p. 9).

The rules adopted by the department in checking the reports of the railroad companies of space necessary for the mail service differed from the ideas of the railroad companies as to the proper amount of the space to be charged, but it is believed that the department's rules were equitable and adhered closely to the actual conditions obtaining on the various trains. In order that there may be no doubt as to these rules they are here set forth in full:

"CLOSED-POUCH SPACE.

"The following basis for the estimate of the space in baggage cars devoted to mail service for closed pouches during the month of November, 1909, in connection with the railroad companies' reports, will be observed:

"For 100 pounds or less, allow 6 linear inches;

"For weights above 100 pounds and not exceeding 200 pounds, allow 10 linear inches;

"For weights above 200 pounds, allow 5 linear inches for each additional 100 pounds.

"The weight will be ascertained by multiplying the maximum number of pouches and sacks reported by the company as carried at any one time by the average weight of pouches and sacks as shown by the report of the General Superintendent, Railway Mail Service, upon the actual weighing for 10 days of closed pouches on express trains, namely, 20 pounds."

APARTMENT CAR SPACE.

"Where the railroad reports cars longer than those authorized by the department, enter the authorized length in column 11, Form 2601, and enter the excess space in an additional column to be headed 'Linear feet of the cars—dead space,' and its car-foot mileage to be computed and entered in another additional column headed 'Car-foot mileage—dead space.'"

RAILWAY POST OFFICE CAR SPACE.

"Where the railroad company reports cars longer than those authorized by the department, the cases may be one of the following three characters:

"Full line authorized with maximum pay."—Where the space reported is greater than that authorized by the department, enter the authorized length in column 9, Form 2601, and the excess space in an additional column marked 'Linear feet of cars—dead space' and compute the car-foot mileage on the dead space and enter it in another additional column, marked 'Car-foot mileage—dead space.'

"Agreement lines."—These cases are where the department authorizes a full line of cars (as, for instance, a 60-foot line), and the company operates such sized cars in both directions, but the department pays a rate equal to half the rate for a full line of the maximum length, plus one-half the rate for a full line of minimum length (as, for instance, pay equal to half a 60-foot plus half of a 50-foot or 40-foot line). In this case enter the length of the line, as authorized, in column 11, Form 2601.

"Half lines."—These are cases where the authorizations are for specific half lines (as, for instance, half line of 60-foot cars in one direction and half a line of 40-foot cars in the opposite direction). It is usual for the company to operate the maximum length of car in both directions. If, therefore, the company reports greater length than that authorized, enter the authorized length in column 11 and the surplus space reported, if any, in another column (additional), marked 'Linear feet of cars—deadhead space' and compute the car-foot mileage upon the deadhead space and enter it in another additional column headed 'Car-foot mileage—deadhead space.'"

"If a railway post-office car is reported deadhead and its running is necessary for the maintenance of the authorized car service, the space should be entered in the column 'Linear feet of cars—deadhead space' and its car-foot mileage computed and entered in the column 'Car-foot mileage—deadhead space.'

"Milk car operated in passenger train."—Where a milk car is operated in a passenger train the car space should be treated as passenger car space.

"Railway post-office cars run beyond the points between which such service is duly authorized and paid for."—Where a company reports the operation of a full railway post-office car beyond the points between which the line is duly authorized, give credit in column 11 for the length of space necessary for apartment car service, if any be necessary, for the extra distance for which the car is so operated and enter the surplus space in the column 'Linear feet of cars—dead space' and carry the car-foot mileage for each to their appropriate columns. If no space is needed for apartment car service over the extra distance run, enter the entire space reported for such distance in the column 'Linear feet of cars—dead space' and carry out its car-foot mileage."

The space ascertained to be "Deadhead space" under the foregoing rules was charged to the mail service, and formed part of the car-foot mileage percentage for that service.

The assertion is made that "the Postmaster General obtained from the railways statements which he might have used in applying this method (the apportionment), and these statements showed that 9.32 per cent of the total space in passenger trains was required by the mails, but, instead of using the data showing this fact, he substituted figures of his own which reduced the space credited to the mail service to 7.16 per cent of the total." The statement that the Postmaster General used figures of his own is incorrect. The figures used by the department were those furnished by the railroad companies, after being checked and carefully scrutinized under the rules hereinbefore set forth. The utmost care was exercised in verifying the reports of the companies, and in case any change was made in the figures there was ample authority therefor.

The railroad companies, generally, reported the space used by the mails at the maximum of operating conditions, whether warranted by the needs of the mail service or not. An examination of the instructions of the various companies to their employees in regard to reporting closed-pouch space indicates that no matter what the size of the baggage car utilized, the mail service, even if the mail was very light in weight and quantity, was charged with unused space in the baggage car proportional to the amount carried. The rule of the department to allow 6 linear inches across the entire car for 100 pounds of mail or less was based upon measurements and tests made by officials of the department and represented 18 linear inches by 36 inches upon one side of the car the full height of the car. This space is ample for 100 pounds of mail.

The pamphlet further makes specific statements regarding the operating necessity for providing for the maximum traffic, although during much of the trip the actual traffic may be considerably below this limit, and states that the Postmaster General refused to credit the mail service with much of the space thus required by the depart-

ment. This statement is incorrect, as will be fully perceived by an examination of the rules hereinbefore stated regarding the charges against the mail service for railway post-office car service. From these rules it will be noted that excess space was charged to dead space (that is, space which was afterwards charged to the passenger, not mail, service) only in cases where the company operated cars of greater length than authorized by the department, and also where the companies operated for their own purposes authorized lines beyond the points between which such lines were duly authorized to be run, and that in other cases, as, for instance, agreement lines and half lines, the excess space was charged to deadhead space and finally accounted for as a charge to the mail service.

IV.

The fourth statement in the pamphlet in support of the propositions advanced is as follows:

"The Postmaster General ignored data which he had obtained showing expenditures on account of the mails largely in excess of the direct expenses for that service which he reported" (p. 11).

In support of this the pamphlet contains the statement that the Postmaster General obtained from the railroad companies statements showing the amounts expended by them for station and terminal services required by the department, etc., which were not used, and that no adequate allowance was made in any other way for such unused items. It sets forth specifically an itemized statement of all items reported, aggregating \$401,136.

This statement contains two material allegations: (1) That no adequate allowance was made in any other way for the items that were not specifically used by the department, and (2) that the total of all items which should be considered under this heading is as above stated. These will be considered separately and it will be convenient to consider the second first.

An examination of the items set forth on page 12 of the pamphlet immediately discloses the fact that they contain two specifications and the greater part of a third which are improperly included as operating expenses, namely, rental value, plus average monthly cost of light and heat, of room or rooms set apart for the exclusive use of the mail service, \$37,258.93 (the part of this item improperly included is the rental value); rental value of tracks occupied daily for advance distribution of the mail, \$47,029.12; and interest at the legal rate upon the value of cranes, catchers, and trucks required for mail service, \$3,895.36. The total of these is \$88,183.41. The part of this which represents the cost of light and heat of room or rooms set apart for mail service is not shown. Neither is it possible to apportion to the amount the proper proportion of the \$9,993.19 stated in the footnote on page 12 of the pamphlet as having been reported by four companies which gave totals for these items but did not report the items separately. Therefore, the true amount representing operating expenses for station service, etc., is made up of the other items stated, namely, amount of wages paid to messengers and porters employed exclusively in handling mails, \$79,980.84; portion properly chargeable to mail service, prorated, etc., \$198,927.01; amount expended for maintenance of horses and wagons, etc., \$5,640.98; and average monthly cost of light and heat for postal cars placed daily for advance distribution of mail, \$18,400.57; making a total of \$302,949.40. This would be augmented by the unseparated amount for cost of lighting and heating rooms and the due proportion of the \$9,993.19 above referred to.

It will be observed from this that the statement in the pamphlet as to the amount which should have been accounted for is over \$88,000 too much (not accounting for the undetermined items above referred to). Furthermore, the items making up the total of \$302,949.40 had not been checked by the department, and it is to be remembered that they rest wholly upon the statements of the companies. That the largest item among them, namely, \$198,927.01, the portion said to be properly chargeable to mail service, prorated on the basis of actual time employed, is largely in excess of a proper charge is shown by the following facts: Notwithstanding the statement made in the pamphlet that this item is the portion properly chargeable to mail service, "prorated on the basis of *actual time*¹ employed, of wages paid to station employees a part of whose time is employed in handling mails," the instructions given by the railroad committee on railway-mail pay (the committee which prepared the pamphlet under consideration) to the companies they represented contain the following with reference to this item:

"In computing the pay of station employees and time consumed in handling mails 30 minutes should be allowed for each train exchanging mails, and, in addition, the

¹ Italics are department's.

mail time should be charged with its proper proportion of idle time of agent or employee handling mails; same proportion to be added in transfer trips to other stations."

In the light of this instruction the department, in fairness to the Government, could have made no specific use of the item under consideration.

Furthermore, the item contained on page 12 of the pamphlet, "Amount of wages paid to messengers and porters employed exclusively in handling mails, \$79,980.84," appears also to be evidently excessive in the light of the instructions given by the railroad committee representing the companies and who prepared the pamphlet, as follows: "Where solely on account of handling the mails an additional person has been employed, his whole pay should be shown in column 3, even though after employment he may perform some other work incidentally." This instruction is directly contrary to the theory otherwise insisted upon by the companies that the mail service should bear its proportion of expenses, inasmuch as it charges to the mail service the entire amount paid for the employment of exclusive porters, even though they performed duties for the passenger service.

As to the first part of the statement, to the effect that in the data furnished for messengers, porters, and station service which were not specifically used by the department, there was no adequate allowance made in any other way, this will now be examined.

It will appear evident that no items for these expenditures could be used specifically unless the individual accounts including such direct expenditures were also segregated and reported separately to the department in order that when the apportionment of expenditures on the car-foot mile basis should be made the department should not participate in a double charge for the same service. Therefore the department assigned to the mail service such expenses for these items as were reported by the companies in this manner; that is, where not only the direct expenditures were reported, but also the expenditures for the accounts including such direct expenditures were also reported separately from other expenditures for like accounts. In this manner \$21,993.06 was reported by the companies and directly assigned to the mail service, as shown in Table 7, Document No. 105, and the totals of the accounts including them were eliminated from the totals for station service for the respective systems. Having thus disposed of the direct expenditures which could be used in this manner and ascertained the sum of such like expenses unaffected by the already assigned direct expenditures, this sum was apportioned to the mail service on the basis of the car-foot miles performed in that service. The total of the amount directly assigned, as above stated, and the amounts apportioned upon the car-foot mile basis for all roads reporting, was \$167,813.39. It will be recognized that any other method of handling the items would have resulted in a double charge to the Government, because if the amounts reported by the companies directly expended on account of the mail service had been charged to that service, and then the accounts affected included in the total amounts apportioned, it is readily seen that the mails would be charged twice for the same service performed by the companies. This would have been the result had the department followed the plan suggested by the railroad committee, as set forth in the pamphlet, even though the amounts named could have been verified or corrected.

Regarding the claim that the cost of personal transportation furnished the Post Office Department was not allowed for, it may be said that after a careful consideration of this matter it was decided in view of the inability to satisfactorily verify the data of this character reported by the companies and the fact that similar data regarding the passenger service was lacking, the data could not be made use of for the purpose of the inquiry.

V.

The fifth statement in the pamphlet in support of the propositions advanced is as follows:

"The month of November is not a fair average month in any railway year or one that is typical of a year's business, and its use as the sole basis of the Postmaster General's calculation was so unfavorable to the railways as to deprive the results of any value even if in all other respects his methods were beyond criticism" (p. 13).

To support this the railway committee assert that November is not a typical or average month, that all its deviations from the averages of the year are such as to greatly favor a finding disadvantageous to the companies, and specifically mention that the maintenance of way and structures expenditures for the month of November, 1909, were lower than the average for the year, and that the traffic on passenger trains was lighter and the freight traffic heavier during that month than for the average of the year. From this the committee conclude that the proportion of operating expenses assigned to the passenger service was lower than the average for a month in the

year and that, therefore, the part of such expenditures assigned to the mail service was lower than the average for a month of the year.

At the time the preparations were completed for securing the statistics from the railroad companies, the month of November, 1909, appeared to be the first available month which would probably produce the fairest result, and it was accordingly accepted. As to whether the result was as alleged by the railroad committee will depend upon consideration of more factors than have been set forth by that committee in the pamphlet under consideration, and these additional facts do not appear to support the conclusion of the pamphlet. If it is true that during the month of November the passenger traffic was reduced below the average for the year, it is fair to conclude that there was a corresponding reduction in the operation of purely passenger trains. This would appear to be substantiated by a comparison of statistics of the Interstate Commerce Commission with the department's statistics for November, 1909, as to car and train mileage; that is to say, the Interstate Commerce Commission report shows the average monthly car miles for 1910 to be 249,847,541 for all roads. The department's statistics for November, 1909, show the car miles for the roads reporting (practically all the large systems) as 219,733,424. Again, the Interstate Commerce Commission report shows the average monthly train mileage for 1910 as 45,751,250, and the department's statistics for November, 1909, show the train mileage for the roads reporting as 42,896,628. From this it must be concluded that the car miles and train miles of passenger service performed by the railroad companies in the month of November, 1909, were below the monthly average for a year, and therefore the car-foot miles for the passenger service for November would be less than the average of the year. If this was true the effect of it was to increase above the average the rate of percentage of car-foot miles in the passenger services devoted to the mail service, because the actual space devoted to the mail service in passenger trains is comparatively constant and would not be reduced during the month of November, but on the other hand would inevitably be increased during that month.

Consequently, if the total car-foot miles for all the passenger services were below the average and the mail car-foot miles were the average or above the same, thus resulting in a larger ratio for the mail service in the participation in the expenditures for the passenger services, it can not be maintained that the selection of November was disadvantageous to the railroad companies unless the apparent disadvantage to the mail service be overbalanced by other factors having a contrary effect. That the volume of the mails for November was actually above the average is shown by statistics. The postal revenues from 50 of the largest post offices for the fiscal year ended June 30, 1910, by months, indicated that the month of November exceeded all other months in the year in postal receipts except the months of March and December. The receipts for November were 8.48 per cent of the total for the year, or 0.15 of 1 per cent above the average. Statistics compiled in the department as to the weights of second-class matter (which comprise the large percentage of the mails), by months, show that November is fourth among the months in the quantity handled. Figures secured from a number of large offices for a period of five years show the monthly average weight to have been 29,609,438 pounds, and the November weight 30,064,002 pounds, or 454,644 pounds more than the average. Inasmuch as the space used for the mail service aside from the specific authorizations of space in cars increases as the weight increases, it follows that more than the average space and car-foot miles are necessary for mail service in November, and therefore, even if the passenger car-foot miles were not below the average, and thus increase the ratio of the mail car-foot miles, this increase in weight of mails in November would result in a greater participation of the mails in the passenger operating expenses than in the average month.

VI.

The sixth statement in the pamphlet in support of the propositions advanced is as follows:

"A commission of Senators and Members of Congress which, between 1898 and 1901, most fully and carefully investigated the subject, ascertained and declared that railway mail pay was not then excessive; since then there have been many and extensive reductions in pay accompanied by substantial increases in the cost and value of the services rendered by the railways" (p. 14).

Under this heading the statement in the pamphlet refers to the fact that a congressional joint commission reported in 1901 that the prices then paid to railroad companies for the transportation of the mails were not excessive, and sets forth the further facts that since 1901 the ratio of railroad mail pay to the gross postal receipts per annum has decreased, and that certain reductions have been made by statutes and administrative order and changes which have lowered the mail income per unit of weight.

The findings of the joint commission referred to must be considered, if at all at this time, in connection with the findings of Document No. 105, based upon a line of inquiry quite different from that pursued previously. The finding of the commission made no discrimination with respect to the services performed by the different systems or roads, while the inquiry upon which Document No. 105 is based disclosed for the first time that the present system of adjustments resulted in an ununiform measure of compensation to the several companies, the result in some cases being a loss and in other cases a gain over cost of operation.

There appears to be even less relevancy to the question to be found in the ratio between total railroad mail pay and the gross postal receipts of the department. The inferential argument in the statistics presented appears to be that there is a necessary relation between the compensation paid railroad companies for carrying the mails and the gross receipts of the postal establishment, and, further, that the railroad companies have some right to receive a proportional increase in compensation for carrying the mails if the gross revenues of the department increase. Neither of these propositions is true. The sources of revenue to the postal establishment are various and are not necessarily connected with the expenditure for transportation on railroads. It is true that the expenditure for transportation on the railroads increases as the weights of the mails increase, but the rate of increase in such pay is not necessarily the same as the rate of increase in postage. Furthermore, there are sources of revenue which are entirely disassociated from the functions involving transportation.

With respect to the items of reduction enumerated on page 16 of the pamphlet it may be said that one at least is not susceptible of verification, and as to all of them they appear to be immaterial except as a part of the argument to show that if the finding of the commission in 1901 was true it is with greater force true to-day. This may be passed with no further comment than what has been made above.

VII.

The seventh statement in the pamphlet in support of the propositions advanced is as follows:

"The administration of the Post Office Department has not, in the last 12 years, effected any reduction in the annual total of its expenses for other purposes than railway transportation or in the proportion of its revenues required for such other expenses. But the whole saving which has nearly eliminated the annual deficit of the department is represented by the reduced payments, per unit of service, to the railways" (p. 17).

To support this proposition the pamphlet sets forth certain statistics of gross receipts and total expenditures compared with total expenses for railroad mail service and for other purposes separately for the years 1901 and 1911. The fallacy of this line of argument, so far as a comparison between receipts of the postal establishment and expenditures for railroad mail service is concerned, has been fully shown under preceding subdivisions. Any argument based upon comparison of gross expenditures with the expenditure for railroad mail service or any other one item is equally fallacious. If the subject matter remains the same year after year, or if in 1911 it was substantially the same as it was in 1901, its conditions are sure to vary, as, for instance, Congress increases from time to time the compensation paid post-office clerks, railway post-office clerks, assistant postmasters, etc., so that the increase in expenditures never necessarily represents a true gauge for measuring the increase in the business of the postal establishment. It is evident that nothing can be proved by an argument of this character.

VIII.

The eighth statement in the pamphlet in support of the propositions advanced is as follows:

"The continuous refusal of the Post Office Department to order reweighings of the mails except after the maximum interval of four years which the law allows, the demands for station and terminal services that are rendered without any or without adequate compensation and the unjust discrimination against compartment cars used as railway post offices are all abuses, seriously injurious to the railways, which have grown up under the present system of payment and ought at once to be remedied" (p. 18).

The statements in the pamphlet under this heading are substantially (1) that Congress in providing that the mails shall be weighed not less frequently than once in every four years intended that they should be weighed whenever a substantial change in volume had taken place; (2) that the present basis of payment plainly does not contemplate the performance of side service by the companies between stations and

post offices as required by the department; and (3) that Congress provided for additional payment for full railway post-office cars, but when the practice of requiring portions of cars for the same service was inaugurated no provision for payment therefor was made.

With respect to the periods of adjustment following weighings it may be said that the railroad contract service developed in connection with the contract service for carrying the mails otherwise—that is, on star routes and on steamboat routes—the contract period for which has uniformly been four years. Formal written contracts, where they could be obtained, were entered into with the railroad companies for four-year periods corresponding with the periods of service on star routes in the same contract sections prior to 1873. By the law of 1873 the basis of paying for railroad mail service was entirely changed, and that statute prescribed the present plan based upon the average daily weight of mails carried over the whole length of the route, such average daily weights to be ascertained by a weighing of the mails not less frequently than once in every four years. Following the passage of the law of 1873 the department inaugurated its mail weighings for readjustments on the quadrennial plan, or not less frequently than once in every four years, which general plan has been adhered to ever since. It is understood, however, that reweighings were ordered from time to time when conditions upon routes radically changed during the quadrennial term, but the quadrennial term remained as first inaugurated.

With respect to the second contention, namely, as to the performance of side service, the railroad committee is clearly wrong so far as the original intention of the statute forming the present basis is concerned. The requirement made of railroad companies to perform the service is of long standing and in some form appears to antedate the passage of the act of 1873, which is the basic law for the present plan of readjustments, and continued thereafter without interruption, and with only variations in the manner of the requirement, to the present day. As to whether or not Congress had it in contemplation when the law of 1873 was passed has been considered by the courts and decided in the affirmative. In the case of the Jacksonville, Pensacola & Mobile Railroad Co. v. The United States, decided by the Court of Claims in 1886 (21 C. Cls., 155), the company attempted to recover specific compensation for performing this character of service. This claim was denied by the court, which, in deciding the case, said as follows:

"For a long period of time, extending back to the first establishment of the railroad mail service, it has been the practice to include the delivery of the mails within 80 rods of railway stations as part of the railroad route, and that has been promulgated in all advertisements for proposals and in the official regulations published by authority, as shown by Finding XI. A requirement to that effect was inserted in the claimant's written contract (see first of the numbered articles at the end thereof, in contract set out in Finding II), and was no doubt in all written contracts.

"Such a well-established practice, in our opinion, must have been considered by Congress in fixing the maximum compensation, and by the Postmaster General in making his orders allowing the full amount of the maximum, and therefore the pay for such service must be held to be included in the general compensation fixed for the routes."

This decision of the Court of Claims was affirmed by the Supreme Court in 118 United States, 626.

With respect to the third contention, regarding payment for apartment cars, it would be inferred from the language used in the pamphlet that when Congress provided specific additional compensation for full railway post-office cars there was no apartment-car service in existence and that the requirement to operate apartment cars was made afterwards and with no additional compensation, of which complaint is made in the pamphlet. The facts are that apartment-car service existed long before full railway post-office car service, and the Postmaster General was authorized by the act of 1872 (17 Stat. L., 309) to compensate railroad companies who furnish railway post-office cars by allowing such additional compensation beyond that allowed for the service as he might see fit, not exceeding, however, 50 per cent of such rates. It was not until the law of 1873 that Congress afterwards authorized specific additional payment to the transportation pay for full railway post-office cars. This statute, however, repealed the act of 1872 and left the Postmaster General without authority to make specific payment for apartment cars.

As to the question whether, under a proper system of readjustment which shall be entirely just and fair to both the Government and the railroad companies, the latter should not be fully compensated for the service they perform from year to year, as well as the special services between stations and post offices and for the furnishing of apartment cars, there is no difference of opinion between the railroad companies and the department, and the plan as a basis for readjustment which has been suggested in Document No. 105 makes full provision for these features.

IX.

The ninth statement in the pamphlet in support of the propositions advanced is as follows:

"The Postmaster General's proposed plan of payment based upon operating cost and taxes, to be ascertained by the Post Office Department, plus 6 per cent, is seriously wrong in principle and would encourage and perpetuate injustice" (p. 20).

The statements contained in the pamphlet in support of this proposition are substantially (1) that the operating expenses and taxes plus 6 per cent of the sum of these expenses and taxes constitute an insufficient basis for remuneration for the service, (2) that the basis of cost would be unfair to the economically conducted road as against the road otherwise conducted, and (3) that the Post Office Department should not be given the power of apportioning the operating expenditures between the freight and passenger services.

The first objection has been fully answered hereinbefore.

With respect to the second objection, it may be said that it hardly appears to be of great force, in view of the concession of the department that the basis for compensation should take into consideration not only cost and taxes but, in addition, railroads may be allowed such additional amounts, if any be necessary, as shall render the whole a proper proportion of a fair and reasonable return on the value of the property necessarily employed in connection with the mail service.

With reference to the third objection, the Postmaster General has signified his willingness to recommend as a part of the plan of readjustment proposed that the Interstate Commerce Commission, instead of the Postmaster General, shall be authorized to make the separation of operation expenses between the passenger and freight services.

X.

CONCERNING THE SPECIFIC REPLY OF THE RAILROAD COMMITTEE ON RAILWAY MAIL PAY TO THE CHAIRMAN OF THE SENATE COMMITTEE ON POST OFFICES AND POST ROADS.

The foregoing relates to the main body of the document prepared and submitted by the railroad committee. Appended to the document, however, and marked "Appendix G," is set forth a letter addressed to the chairman Senate Committee on Post Offices and Post Roads, and signed by "committee on railway mail pay," etc., in which specific replies are made to certain inquiries submitted by the chairman. The substance of the replies appears to be that the companies represented by the railroad committee prefer the present plan of adjusting pay, with certain modifications, namely, annual weighings, relief from performance of side service, and payment for apartment car service.

No specific reply from the department is needed to the statements and contentions set forth in this letter other than are submitted above in reply to the general body of the pamphlet. However, it should be further stated that the railroad committee on railway mail pay has entirely failed to notice a fact of fundamental importance shown in Document No. 105, namely, that under the present system of paying for railroad mail service the compensation that can be allowed under the law to some railroad companies is inadequate, and probably less than the cost of performing the service. This feature of the results of Document No. 105 is, as we understand, undisputed by the railroad committee on railway mail pay. It is therefore difficult to understand how any system for compensating the railroad companies for carrying the mails can be considered the most desirable if it does not fully compensate each railroad company for the service rendered the Post Office Department. The present plan does not do this, whilst the plan proposed by the Postmaster General in Document No. 105 seeks to do it.

JOSEPH STEWART,
Second Assistant Postmaster General.

PLAN AS MODIFIED BY DEPARTMENT.

On January 24, 1913, I received a letter from the Postmaster General, dated January 20, 1913, submitting draft of a proposed bill incorporating his modified views regarding the general plan for readjusting railway mail pay.

This letter and draft read as follows:

POST OFFICE DEPARTMENT,
OFFICE OF THE POSTMASTER GENERAL,
Washington, D. C., January 20, 1913.

HON. JONATHAN BOURNE, JR.,

*Chairman Committee on Postage on Second-Class Mail Matter and
Compensation for the Transportation of Mail,
Congress of the United States.*

MY DEAR MR. CHAIRMAN: Referring to your letter of the 6th instant, regarding certain proposed modifications of the general plan outlined in House Document No. 105 for readjusting mail pay, and to my reply of the 9th instant, in which I recommended certain legislation in connection therewith and stated that such modifications of the phraseology of the proposed law as were found necessary to effect the changes recommended would be prepared as early as practicable, I have the honor to submit herewith an amended draft of the proposed legislation.

Yours, very truly,

FRANK H. HITCHCOCK,
Postmaster General.

TENTATIVE DRAFT OF PROPOSED LAW FOR REGULATION OF RAILWAY MAIL PAY.

The Postmaster General is authorized and directed to require companies operating railroads by steam, electricity, or other motive power, carrying the mails to furnish, under oath and seal, not less frequently than once in each fiscal year, such information relating to the service, operation, receipts, and expenditures, and such other information of such roads for a period of not less than thirty days, to be designated by him, as may in his judgment be deemed necessary to enable him to ascertain the cost to the companies of carrying the mails on their respective roads and the proper compensation to be paid for that service. He shall require all such companies to submit such information not later than March first, nineteen hundred and fourteen, and in each fiscal year thereafter, at such times and for such periods as he shall prescribe. It shall be the duty of such railroad companies to furnish such information, and if any railroad company fails or refuses to do so when required its compensation for service rendered thereafter until such company shall comply and an adjustment is made by the Postmaster General shall be forfeited to the United States and shall be withheld as liquidated damages.

If any officer, agent, or employee of a railroad company shall knowingly furnish any information required under the provisions of this act that is false and fraudulent he shall be fined not more than twenty thousand dollars and imprisoned not more than five years.

The Postmaster General shall determine the cost to each railroad company of carrying the mails on its respective road or roads, and shall verify and state the result in such form and manner as he shall deem proper. For this purpose he shall transmit the information furnished by the railroad companies relating to the operating expenditures to the Interstate Commerce Commission, who shall credit, assign and apportion such operating expenditures to the passenger and freight services, and report the result as to the passenger service to the Postmaster General. The Postmaster General is authorized to credit, assign, and apportion the passenger operating expenses as reported to him by the Interstate Commerce Commission, and the taxes in such manner as will determine the proportion thereof chargeable to the mail service, a statement of which shall be given the company concerned. If any railroad company shall object to the method of crediting, assigning, and apportioning the passenger operating expenses and taxes to the mail service, it may file objection with the Postmaster General within twenty days after such statement is made to the company, and the Postmaster General shall thereupon certify the method and objection and such papers as in his judgment may be essential to an understanding of the method, to the Interstate Commerce Commission, who shall review the finding of the Postmaster General and affirm, modify, or revise the same, and certify the result to the Postmaster General, which action thereon shall be final.

The Postmaster General is authorized and directed to readjust the pay to companies operating railroads for the transportation and handling of the mails and furnishing facilities in connection therewith, not less frequently than once in each fiscal year, commencing with July first, nineteen hundred and fourteen, at a rate of compensation per annum equal to the cost to the railroad companies of carrying the mails as ascertained by him, and six per centum of such cost; in addition, companies may be allowed such additional amounts, if any be necessary, as shall render the whole a proper proportion of a fair and reasonable return on the value of the property necessarily employed in

connection with the mail service: *Provided*, That when such sum does not equal \$25 per mile per annum, he may, in his discretion, allow not exceeding such rate.

Railroad companies whose railroads were constructed in whole or in part by a land grant made by Congress, on the condition that the mails should be transported over their roads at such price as Congress should by law direct, shall receive not exceeding the cost to them of performing the service.

Information shall be furnished and adjustments made as nearly as practicable by accounting systems or roads, and the cost and the compensation for the term shall be stated for all service covered by each system or road. The routes for a system or road may be stated for administrative purposes in such manner as the Postmaster General may determine.

The Postmaster General may order new or additional service during a term for which an adjustment shall have been made or service authorized on any system or road in any train operated by such system or road over any part of the trackage included in the adjustment or authorization, and without additional compensation therefor during such term.

He may order service over new or additional trackage of an adjusted system or road during a term and state the amount performed for the remainder of such term on statistics obtained for the first thirty days of service. Payment therefor may be made at not exceeding the average rate per car-foot mile for the system or road ascertained at the regular adjustment. Entire discontinuance of service over trackage included in the adjustment or thereafter added shall be deducted for at the car-foot mile rate of adjustment or mile rate of authorization. In case the operation of service over trackage included in an adjustment or thereafter added is undertaken by another company during the term, the same may be recognized by the Postmaster General, provided the companies in interest shall file with him their joint agreement as to the part of the compensation of the old operating company to be paid the new operating company; otherwise payment to the company first authorized shall be full payment for all service performed for the term.

The Postmaster General may order service over trackage of a railroad company not operating service under an adjustment or authorization after the regular adjustment for the remainder of the term, and pay therefor at not exceeding \$42.75 per mile of trackage per annum.

Service over property owned or controlled by a terminal company shall be considered service of the roads or systems using such property and not that of the terminal company.

Railroad companies carrying the mails shall furnish all necessary facilities for caring for and handling them while in their custody. They shall furnish all cars or parts of cars used in the transportation and distribution of the mails, and place them in stations before the departure of trains when required to do so. They shall provide side, terminal, and direct transfer service and all station and depot space and rooms for handling, distribution, and transfer of mails en route, and for offices and rooms for the employees of the postal service engaged in such transportation when ordered by the Postmaster General.

Every railroad company carrying the mails shall carry on any train it operates and without extra charge therefor the persons in charge of the mails, and when on duty and traveling to and from duty, all duly accredited agents and officers of the Post Office Department and the postal service, while traveling on official business, upon the exhibition of their credentials.

All cars or parts of cars used for the Railway Mail Service shall be of such construction, style, length, and character, and furnished in such manner as shall be required by the Postmaster General, and shall be constructed, fitted up, maintained, heated, lighted, and cleaned by and at the expense of the railroad companies. No payment shall be made for service by any railway post office car which is not sound in material and construction, and which is not equipped with sanitary drinking-water containers and toilet facilities, nor unless such car is regularly and thoroughly cleaned. No pay for service shall be allowed for the operation of any wooden railway post office car unless constructed substantially in accordance with the most approved plans and specifications of the Post Office Department for such type of cars, nor for any wooden railway post office car run in any train between adjoining steel or steel underframe cars, or between the engine and steel or steel underframe car adjoining. After the first of July, nineteen hundred and seventeen, the Postmaster General shall not approve or allow to be used or pay for any full railway post office car not constructed of steel or steel underframe or equally indestructible material, and not less than twenty-five per centum of the railway post office cars of a railroad company not conforming to this provision shall be replaced with cars constructed of steel annually after June, nineteen hundred and thirteen; and all cars accepted for this service and contracted for by the railroad companies after the passage of this act shall be constructed of steel. The

Postmaster General shall make deductions from the pay of the railroad companies on the basis of the value of the service computed on the car-foot mile basis in all cases where the cars do not comply with the provisions of this act.

The space in cars devoted to the use of the mails, as ascertained during the period fixed by the Postmaster General for the rendition of information by the railroad companies, shall be taken as the basis for computing the car-foot miles devoted to the mail service for the purpose of readjustment, effective from the 1st of July next following: *Provided*, That no credit shall be given for space in cars devoted to the distribution of the mails unless such space shall be authorized by the Postmaster General or unless he shall determine that its use is made necessary by a specific authorization. In computing the car-foot miles, the mail service shall be charged in both directions for a line of railway post-office cars with the maximum space authorized in either direction.

If any railroad company shall fail or refuse to provide cars or apartments in cars for distribution purposes when required by the Postmaster General, or shall fail or refuse to construct, fit up, maintain, heat, light, and clean such cars and provide such appliances for use in case of accident as may be required by the Postmaster General, it shall be fined such sum as shall, in the discretion of the Postmaster General, be deemed proper.

The Postmaster General shall in all cases decide upon what trains and in what manner the mails shall be conveyed. Every railroad company carrying the mails shall carry on any train it operates all mailable matter directed to be carried thereon. If any railroad company shall fail or refuse to transport the mails when required by the Postmaster General upon any train or trains it operates, such company shall be fined such amount as may, in the discretion of the Postmaster General, be deemed proper.

The Postmaster General may make deductions from the pay of railroad companies carrying the mails under the provisions of this act for reduction in service or frequency of service where, in his judgment, the importance of the facilities withdrawn or reduced requires it, and impose fines upon them for delinquencies. He may deduct the price of the value of the service in such cases where it is not performed, and not exceeding three times its value if the failure be occasioned by the fault of the railroad company.

The Postmaster General is authorized to have such weights of mails and measurements of space taken and to collect such other information by sworn employees of the Post Office Department as he may deem necessary and to have such information stated and verified to him by such employees, under such instructions as he may consider just to the Post Office Department and the railroad companies, to assist in the ascertainment of the space used for the transportation and the handling of the mails on railroads, and to employ such special clerical and other assistance as shall be necessary to carry out the provisions of this act, and to rent quarters in Washington, District of Columbia, if necessary, for the clerical force engaged thereon, and to pay for the same out of the appropriation for inland transportation by railroads.

The provisions of this act shall apply to service operated by railroad companies partly by railroad and partly by steamboats.

The provisions of this act respecting the rate of compensation and the determination thereof shall not apply to mails conveyed under special arrangement in freight trains, for which a rate not exceeding the usual and just freight rates may be paid, in accordance with the classifications and tariffs approved by the Interstate Commerce Commission.

It shall be unlawful for any railroad company to refuse to carry the mails at the rates of compensation provided by law when and for the period required by the Postmaster General so to do, and for every such offense it shall be fined not exceeding \$5,000.

All laws or parts of laws inconsistent herewith are hereby repealed.

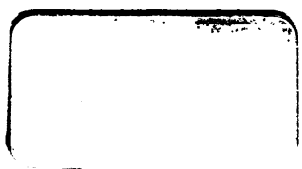
By the adoption of the course above outlined and the consequent securing of the information herewith submitted, we now have before us the respective viewpoints of the Post Office Department, through its administrative representatives, and the transportation companies with whom the Government has mail contracts. The attitude of the department having just been made known, no time has been lost by the failure of the committee to organize sooner. We are now able to proceed as a committee in the study of one of the problems submitted to us in that provision of the act of August 24, 1912, constituting the committee.

Respectfully, yours,

JONATHAN BOURNE, Jr.,
Chairman.

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